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TORONTO

THE ECONOMIC FOUNDATIONS OF FASCISM

BY
PAUL EINZIG

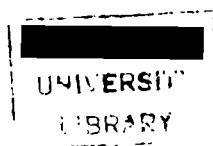
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PREFACE TO THE SECOND EDITION

SINCE the publication of the First Edition of this book, events and developments have confirmed many of the author's conclusions. In spite of pessimistic forecasts, stability and relative prosperity continues to exist in Italy, thanks to the iron hand of Signor Mussolini, and to the efficiency of the economic system of Fascism. The financial situation has improved considerably during the past twelve months. The Bank of Italy has been able to reduce the bank rate to 3 per cent, which is the lowest figure in the history of that institution. The Government has been able to convert the major part of its debt on a $3\frac{1}{2}$ per cent basis. From an economic point of view, the country is beginning to enjoy the results of the ambitious public works undertaken by the Government. The lira has remained stable, in spite of the speculative attacks directed against it.

In face of such obvious signs of stability and progress, even the most confirmed sceptics have to admit that Italy has weathered the crisis remarkably well. It is, of course, open to argument whether or not this is largely due to the Fascist economic system adopted in that country. In the author's opinion, but for the existence of the economic discipline that characterises the corporate system, Italy would have fared little better than the countries of Central and South-Eastern Europe.

During 1933, the Fascist movement has made progress in many countries. Its fundamental economic

principle—to maintain private property and individual initiative, but to limit their function in accordance with public interest—has been adopted, amongst others, by the United States. Even in Great Britain, the birth-place of *laissez-faire* in theory and in practice, economic planning is gaining ground and is subconsciously following Fascist rather than Socialist principles; *laissez-faire* is dying hard, but is evidently doomed.

The author has revised his material in accordance with new developments. His arguments and conclusions concerning the economics of Fascism are still based exclusively on the Italian experiment. The pseudo-Fascist experiment witnessed in Germany during the last twelve months can contribute no useful material to the appreciation of the merits of economic Fascism. In the author's opinion, there is, from an economic point of view, a fundamental difference in practice between Italian Fascism and German National Socialism. The former aims at the maximum of planning with the minimum of Government interference. The latter has proved so far to entail the maximum of Government interference with the minimum of planning. It is important, therefore, that the economic system of Fascism should not be judged in the light of the German experiment. The author's attitude in this respect is defined in greater detail in his recently published book, *Germany's Default: The Economics of Hitlerism*.

The new law of Corporations has been included in an additional Appendix.

P. E.

March 1934.

PREFACE TO THE FIRST EDITION

THE author wishes to emphasise that in writing this book he has pursued no political object. He belongs to no political party, and intends to remain outside politics. If, in spite of this, he has decided to publish a book on a subject which is a centre of heated political controversy, it is because he found that this subject is closely associated with the sphere in which he has hitherto specialised, namely, that of monetary problems.

On the basis of the experience of the last few years, the author has come to the conclusion that the orthodox principle of sacrificing everything for the sake of a sound currency defeats its own object. At the same time, he has remained distrustful of the monetary reform schemes which have been advocated lately to replace the orthodox system. He feels that it is irresponsible to advocate the creation of additional purchasing power without taking any steps to divert the forces thus released into appropriate channels. He considers it a grave inconsistency to advocate a managed currency in an unmanaged economic system. He has arrived at the conclusion that the creation of additional purchasing power, and the establishment of a managed currency system, can only be justified if they are preceded by the establishment of a managed economic system. Planning should be adopted first in the sphere

of production and distribution before it is applied to monetary policy.

It was on the basis of this conclusion that the author began to take a non-political interest in the Corporate System. He realised that there was no other system in which planning could be adopted so effectively as in a Corporate State. He reached this conclusion after a visit to Italy towards the end of 1932, when he had the opportunity of observing on the spot the results of the system.

During his visit in Italy the author had two conversations with Signor Mussolini—though he must admit that in the course of them it was the Duce who asked most of the questions. The author had also long discussions with other Fascist leaders who played a prominent part in developing the economic side of the system, such as Signor Giuseppe Bottai, former Minister of Corporations, Signor De Stefani, former Finance Minister, Signor Guido Jung, the present Finance Minister, etc. From the political side of the movement, he made the acquaintance of Signor Starace, the Secretary of the Fascist Party, and others. The author had also the opportunity of discussing the system with a number of leading Italian economists, permanent officials, bankers, and business men, as well as with several people whose opinion was representative of the employee classes. He did not fail to check this information through neutral sources, such as foreign journalists and diplomats living in Italy.

The "Volta" Congress, which provided the opportunity for the author's visit to Italy, was helpful to

him in his endeavours to collect as much information as possible in a comparatively short time. The Italian delegates to that Congress included economists, legal and other experts, scientists, etc., residing in various parts of Italy, and, through his conversations with a large number of them, the author was enabled to form an idea of conditions outside Rome and Milan, which were the only two cities he actually visited. The author, who went to Italy with an open mind, was impressed very favourably with the evidence of political, economic, and social stability, and with the spirit that he found to prevail in that country. He found unmistakable signs showing that the Italian nation has become disciplined beyond recognition, and that it has developed the mentality that places co-operation for the common good above selfish considerations.

In such conditions as those prevailing in Fascist Italy scientific planning could be attempted with a certainty of success. Although, up to the present, Fascist Italy has not yet adopted a managed economic system, she has created suitable preliminary conditions for the change, and has actually made some progress towards it. In the author's opinion, the Corporate State contains all the elements of a managed economic system, and the trend of its evolution is towards an increased adoption of planning, without thereby eliminating individual initiative.

The author cannot emphasise sufficiently that the conclusions he has reached are based exclusively on the application of Fascist economic principles in Italy. His approval of Fascism as it operates in Italy should not

be regarded as a general approval of political movements in other countries—especially in Germany—which find it convenient to use the hallmark of Fascism without having done anything so far to live up to it. National Socialism in Germany has yet to prove that it is inspired by the principles of Fascism; so far it has been merely a barbarous destructive movement—whose spirit and actions cannot be sufficiently condemned—without showing any signs of the essentially constructive ideas which form the substance of Fascism in the real sense of the term.

Recent events in Germany have gone a long way towards discrediting Fascism in the eyes of the British public. If, in spite of this, the author has decided to run the risk of unpopularity by publishing his book—written before the deplorable developments in Germany—with its conclusions in favour of the Corporate State as it operates in Italy, it is because he feels that it is both unfair and unwise to condemn Italian Fascism for the sins of German National Socialism. The economic principles of Fascism, and their practical application in Italy, should be examined dispassionately and without prejudice. It is of great importance that both public opinion and experts in this and other countries should be made aware of the constructive elements in the Corporate System.

P. E.

April 1933.

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CHAPTER I

INTRODUCTORY

FOR the last ten years Italy has been the scene of a most important and interesting economic experiment. Her leaders have endeavoured to establish a new economic system that differs fundamentally from both Liberal Capitalism and Communism. The practical results of this experiment are likely to affect the political, economic, and social evolution of mankind. And yet, most people outside Italy have only very vague, and frequently distorted, notions of what is going on there. The ignorance of the British public of the Fascist experiment could hardly be greater if its scene of application were one of the remote provinces of China or the unexplored regions of Brazil, instead of one of the leading countries in Europe. It is difficult to account for this ignorance and indifference towards developments which may eventually affect the welfare of everybody. It is even more difficult to explain the lack of adequate efforts in this country to enlighten the public about the system that has been adopted in Italy.

The Communist experiment in Soviet Russia has an immense literature in English, and hardly a week passes without the publication of some new book on this subject. Although readers may be bewildered by fundamentally conflicting accounts of the same events, nevertheless the knowledge of the public on the subject is making slow but steady progress. By discounting the exaggerations of Bolshevik and anti-Bolshevik propa-

ganda, the man in the street has been able to form some idea about the system. Ten years ago, to the major part of the British public Communism meant murder, robbery, the desecration of churches, tortures and executions. To-day everybody realises that Communism is an economic system which can be examined dispassionately, independently of the political methods with which it was introduced in Russia. As far as Fascism is concerned, however, the present knowledge of the British public is in much the same condition as was its knowledge of Communism in 1923. To millions of men and women of average intelligence, Fascism means castor oil, violence, political persecution, aggressive nationalism, and rampant reactionary despotism.

It is easy to understand that the outward political manifestations of a new régime in its early stages—whether it is Fascism or Bolshevism—should stir up more interest and should make a greater appeal to the imagination than the abstract economic principles on which it is based. In the case of Bolshevism, however, the economic aspects of the system have gradually become known outside Russia. Even the most superficial readers of the popular Press know to-day that Communism means the public ownership of the means of production. The “Five Years’ Plan” has become a household word in England. Fascism, on the other hand, is still regarded principally as a political movement; the economic implications of the term are generally ignored. The meaning of the term “Corporate State” is unknown even to people whose general intelligence and special knowledge of foreign affairs and of economics is well above the average. The explanation of this state of affairs is simple. While Soviet Russia is anxious to spread Communism all over the

world and has spared no effort to make it known abroad, Fascist Italy has directed her propaganda inward, and has made no serious effort to gain converts abroad. As Signor Mussolini stated recently, "Fascism is not an article for export". Furthermore, while, ever since the end of the war, Communism in this country has been, in varying degrees, a force to be reckoned with in practical politics, Fascism has so far failed to make any mark in English political life.

Our leading popular authors on political and economic subjects have done very little so far to enlighten the public. Possibly this is because they themselves know very little about it. Writers of volumes of popular "Outlines" and "Intelligent Man's Guides", who claim to touch upon all essential current problems, ignore this important subject almost completely. To give only a few examples: H. G. Wells, in his 850-page *Work, Wealth, and Happiness of Mankind*, which deals extensively with Communism, has only six lines to spare for Fascism. G. D. H. Cole, in *The Intelligent Man's Guide through World Chaos*, touches on Fascism quite superficially, and then only on its political aspects. Even most of those British authors who believe in the introduction of the Fascist system in Great Britain prefer as a rule to elaborate Utopian schemes of their own rather than explain in detail what is actually being done in Italy. For instance, Sir Oswald Mosley's recent book *Greater Britain* devotes only a few casual paragraphs to the valuable experience gained during the ten years of Fascist rule in Italy, dismissing it with the strange remark that as Italy is "a small country", her experience of Fascism should not be regarded as a basis for judging the merits of his scheme.

Notwithstanding the highly inadequate knowledge

of Fascism outside Italy there are unmistakable signs that the present trend of evolution is towards an economic system which, in substance if not in form, is likely to be very near that of Fascism. The need for planning is beginning to be recognised by all but the few remaining die-hard *laissez-faire* economists. In their "Indian Reservations", where they are carefully guarded against any breath of reality, these doctrinaires still dream of the restoration of *laissez-faire*. Their number is, however, dwindling rapidly. Those who have been forced by recent developments to arrive at the conclusion that planning is an inevitable necessity include Conservatives, Liberals, Socialists alike. In the course of 1932 economic planning was advocated by authors of such different character as—to mention only a few—Sir Arthur Salter, Sir Basil Blackett, G. D. H. Cole, and Lord Melchett. Even strictly non-political authors, such as Julian Huxley for instance, have pronounced themselves in favour of planning, on purely scientific grounds.

The fashionable term "planning" covers, however, a multitude of different ideas. Many of those who advocate planning have Communism in their mind as the goal, even though for the moment the nationalisation of certain branches of production, means of transport, banking, etc., would satisfy them. For others, State Socialism or State Capitalism are not mere intermediate stages but the end itself. Again, a large number of authors claim that it would be possible to achieve the planning of production and consumption through the management of currency. Amongst those who have Fascist planning in mind, many have come to their conclusion independently of any detailed knowledge of the Fascist experience in Italy. In fact some of them

suggest the introduction of a system that is fundamentally identical to the Corporate State, without even knowing that what they advocate is Fascism. Or, if they know it, they are afraid of calling a spade a spade, because the so-called "Fascist" movements in more than one country have done their best to discredit the name abroad. Fascism is too closely associated in the minds of the public with violence, race hatred, and, what is perhaps even worse in the eyes of most Englishmen, with melodramatic symbols and gestures—black shirts and Roman salutes—that would never go down with our public. Hence the reluctance of many authors to draw upon the Fascist experience when discussing planning. But in any case, it is so much easier to talk about what ought to be done than to analyse critically what has actually been done.

Consciously or otherwise, the tendency of our economic literature is drifting towards Fascism. This is in accordance with the trend of evolution in practical life. The eternal question whether the first hen preceded the first egg has once more arisen in this connection. Is the tendency of economic literature directing the trend of evolution, or is it merely reflecting that trend? Whichever is the case, it is highly important that those who write and speak about Fascism and those who read it and listen to it should know a good deal more of what is going on in Italy. They may support the system with enthusiasm or they may reject it with scorn. But they cannot afford to ignore it, nor to be satisfied with hazy notions about it when a wealth of material, based on actual experience, is literally within their reach.

Everyone who claims to be well informed and who possesses an average intelligence ought to know at least as much about Fascism as about Communism. It is a

matter of elementary education to be informed about the substance of a system which provides an alternative to Capitalism as it exists to-day in most civilised countries, and to Communism as it exists in Russia. Anyone who wishes to keep himself up to date should know that, besides being a political movement, Fascism is essentially an economic system—a compromise between pure individualistic Capitalism and complete State control.

In the Corporate State, private property is respected just as in any capitalist country. There is no expropriation without compensation. The State reserves the right, however, to limit and guide the employment of the means of production, and to intervene in the process of distribution, in accordance with public interest. It does not aim at owning the means of production any more than in a capitalist country. Private ownership is the rule and State ownership the exception. Individual initiative is not superseded by State intervention. But the Government reserves the right to supplement individual initiative whenever this is considered necessary; to prevent it from developing in directions detrimental to public interest; and to guide it so as to obtain the maximum benefit for the community as a whole.

The desired end is attained by action in a variety of fields—political, psychological, social, and economic. The political weapon used by Fascism in Italy has been dictatorship which has supplanted the democratic or pseudo-democratic Parliamentary system. We do not propose to dwell upon the political aspects of Fascism more than is inevitable for the understanding of its economic aspects. At its earlier stages, its political character overshadowed its economic character.

Before being able to put into practice the economic organisation of the Corporate State it was necessary to fight the political opponents: Communists, Socialists, and various shades of Liberals. Even after having assumed power in 1922, the Fascist régime had to consolidate its political position. This explains why Fascism is considered to be a political movement *par excellence*. In other countries Fascism is still at the stage where it was in Italy before 1922; it is merely a political movement, whose economic aspects are usually ignored even by most of its followers. For the general public, the *raison d'être* of Fascism is to fight Bolshevism. Many of those who join Fascist parties in countries where the movement is in its initial stage do so simply because of their dislike for Communism or Socialism, little realising that, in its economic aspects, Fascism is much nearer Socialism than are Liberalism and Democracy, which are considered, from a political point of view, to be halfway between the extremes of Fascism and Socialism. Others again become "Fascists" merely to give vent to their anti-Semitic prejudices, little realising that, far from trying to stir up new conflicts, Fascism in the real sense of the term aims at conciliating the existing ones.

In Italy, Fascism got over its initial stage long ago. Political opposition to the dictatorship of Signor Mussolini and his party has been gradually reduced to insignificance, partly through the use of a firm hand, and partly through the conversion of an immense number of its opponents. The beneficial results of Fascism have indeed been realised by many people formerly belonging to the enemy's camps. With the consolidation of the régime, its political aspects are fading into the background, and its economic aspects are

coming to the fore. Development in this direction will advance further if the proposal to amalgamate the Chamber of Deputies with the Council of Corporations is adopted.

The trend of evolution was in this respect similar to that experienced in Soviet Russia. There also Bolshevism was at first a fighting political movement, ready to compromise on its economic principles for the sake of political considerations. To-day it has become sufficiently consolidated to concentrate its main attention upon its economic aspects, as represented by the Five Years' Plan.

The political movement of Fascism, having paved the way for the establishment of the Corporate State, has consolidated itself into a political system that has secured for its leaders a minimum of political interference in the performance of their economic task. The whole political apparatus of the Fascist Party, the educational system and the administrative organisation of the State, serve the purpose of furthering the aims of the Corporate State. The political apparatus has come to run so smoothly that it ceases to present any vital problems. The leaders can afford to forget about it and to devote themselves entirely to their social and economic task.

The psychological aspects of Fascism should not be underestimated. The movement has succeeded in arousing in the members of the ruling party, and in the nation as a whole, an enthusiasm and public spirit that goes a long way towards making the economic system work. This phenomenon is by no means peculiar to Fascism. An enthusiasm of a similar kind has been worked up by Communism in the execution of the Five Years' Plan; we encounter it in times of war and other major

national emergencies; it accompanies the establishment of new religions, and also religious or nationalistic revivals. The object of the Fascist political, economic, social, and educational system is to direct this spirit into the productive channels of the Corporate State, and to cause it to become a perpetual and integral part of the national character. It endeavours to eradicate the selfishness ingrained into the minds of mankind by nineteenth-century individualism, which, with its slogan of "the survival of the fittest" and with its economic conception that "what is beneficial to an individual necessarily works out to the benefit of the community", has raised to a maximum the egotistic qualities inherent in human nature. The philosophy of *laissez-faire* is nothing but the apologia and glorification of the mentality that disregards public interest. It suited the Victorian era of hypocrisy and convenient self-deception remarkably well. The nineteenth-century employer could exploit his employees and yet be a churchwarden; he could exploit the consuming public and yet regard himself, and be regarded by others, as a pillar of the community. His conscience did not trouble him; Liberal economists had seen to that. His selfish greed was merely "the executing hand of natural economic forces", which, according to the *laissez-faire* school, was the indispensable condition of progress and prosperity.

In Italy, Fascism has succeeded, to a remarkable extent, in undermining this cult for selfishness. There are two main reasons why progress in this direction has been unexpectedly rapid. One is that in Signor Mussolini, Italy possesses a leader who inspires hero-worship and an enthusiasm that makes his followers eager to work for the community—which is much more

difficult than merely to die for it. The other is that the Fascist movement has made full use of the immense latent powers represented by the heritage of Roman traditions. For many centuries, while Italy was dismembered, this factor was dormant. The preliminary condition of its revival was the establishment of her political unity, which has been completed as a result of the last war. It required the powerful shock administered to the Italian nation by the Fascist movement, and the mesmeric influence of Signor Mussolini's personality, to awake Italy to full consciousness that she is the heir of the Roman nation. Historians may shake their heads at this, and produce evidence to prove that intermarriage with a succession of conquerors and immigrants has reduced the percentage of Roman blood in the veins of the Italian nation to an infinitesimal fraction. All the same, the Italian nation has inherited, in addition to that fraction of blood, the land that was the nucleus of the Roman Empire, with all its historical associations. In pursuing feverishly the excavation of Roman remains, Signor Mussolini has not merely considerations of science and civilisation in mind. He means to compel his nation to realise that they are the heirs of the Romans. It is an amazing mass-psychological phenomenon—a piece of wholesale Coué-ism. Metaphorically speaking, Italians are to be made to repeat so often to themselves that they are Romans that they will end by actually becoming Romans, in spite of intermingling and of the political inferiority-complex that has developed in the nation through centuries of foreign subjection and dismemberment.

Thanks to these influences, Fascism in Italy has made in ten years a progress towards the transforma-

tion of the national character, which ordinarily might have required at least a generation. Nevertheless, it may take several generations before the effects of the teachings of Liberal philosophy and *laissez-faire* economics are completely eliminated.

In its social aspects, Fascism endeavours to conciliate the conflicting interests of the different classes. It does not aim at eliminating class distinctions; on the contrary, it seeks to maintain them with their special characteristics, and to obtain collaboration between them. This endeavour, like the political and psychological aspects of Fascism, is a means to the economic end of making the Corporate system function efficiently. In no matter what economic system, social peace is the preliminary condition to genuine prosperity. It can be attained through the complete oppression of one class by the other. But the basis of such social peace is necessarily insecure. The Fascist ideal is that the respective share of the various social classes in the proceeds of production should be determined, not by their respective strengths, but by agreement based on mutual understanding and on principles of justice and equity. To that end, strikes and lock-outs were outlawed from the very outset of the Fascist régime and for over ten years there has been no strike or lock out in Italy. Differences arising between employers and employees are settled by conciliation, or, should that fail, by the decision of special Labour Courts to which they have to be submitted, and whose judgment is binding on both parties.

For such a system to produce good results those who hold power must possess that very rare quality, impartiality, to as high degree as is humanly possible. In this respect, Fascism as applied in Italy is at an advan-

tage against any other régime that may attempt to solve the problem of industrial conflict through Government interference. In the nineteenth century, strike legislation in various countries delivered the working classes to the mercy of their employers. In retaliation, the Socialist Governments of the twentieth century have loaded the dice against the employers. The Fascist régime, on the other hand, while primarily concerned with the welfare of the working classes—a fact which is not adequately realised outside Italy—pays at the same time due regard to the legitimate interests of entrepreneurs and capitalists. It is, therefore, qualified to play the part of supreme arbitrator. The mere existence of an overruling power makes interference often superfluous; and this is borne out by Italian statistics showing the proportion of wage disputes that have been settled by conciliation. About all this, however, more will be said in a later chapter.

Fascinating as it would be to study in detail the political, social, and psychological aspects of Fascism, we must not allow ourselves to be diverted very far from its economic features, to which the present volume is devoted. It is upon its economic side that Fascism stands or falls. In our world success justifies everything, and there is no excuse for failure. The success of the Fascist system can only be measured in terms of its economic advantages, and it is consequently on these that we must focus our attention.

The main object of the Corporate State is the planning of production and the determination of distribution in accordance with changing requirements. Under the system of *laissez-faire* the factors determining production and distribution are, as a rule, allowed to take care of themselves. During periods of economic stabil-

ity, stagnation, or gradual progress, this system works, on the whole, to the satisfaction of mankind. It is during periods of instability—whether caused by sudden progress or sharp set-backs—that the disadvantages of *laissez-faire* become evident. The so-called “automatic” adjustment of production and distribution to sudden changes is a slow and painful process. A great advantage of the Fascist economic system is that it facilitates and accelerates the process of readjustment, reducing to a minimum the “transition periods”, and allaying to a great extent their inevitable disadvantages. In a Corporate State, wages and salaries, wholesale and retail prices, and the cost of living can be adjusted more easily than in a country where the process of adjustment is left to take care of itself. This is also true of the regrouping and rationalisation of productive forces.

If the Fascist economic system were to do no more than provide a means for mitigating crises, it would amply justify its existence. In reality, its functions are equally important in normal conditions and during prosperous periods. It is able to secure the utilisation of technical and other improvements to the best advantage of mankind.

It is a commonplace of newspaper articles that too rapid technical progress, through its effect upon employment and prices, is one of the main causes of the present economic crisis, and one of the main obstacles to a fundamental recovery. This need not necessarily be so. By planning ahead and by facilitating readjustment, a Fascist system can mitigate the unfavourable effects of technical progress and increase its beneficial effects.

We shall endeavour in the following chapters to examine how far the Italian experiment has so far

justified these claims of Fascism. The reader should, however, bear in mind that, while the Italian experiment provides excellent material for studying the working of a Fascist economic system in practice, the circumstances in which it has been carried out have largely vitiated its results. Further, the system has not yet been established for a sufficiently long time to enable the observer to draw up its definite balance-sheet. Nevertheless the material available is sufficient to enable us to describe the system in practice, and to give some basis for speculation about its prospects in Italy and elsewhere.

CHAPTER II

THE ITALIAN EXPERIMENT

IT is essential that economists, whether or not in favour of planning or of managed economic systems, should pay more attention to the facts and lessons of the Italian Fascist experiment. To that end, it would be highly desirable if as many of them as possible were to pay a visit to Italy to study conditions on the spot. Any number of politicians, economists, and prominent journalists have travelled in recent years in Soviet Russia, and given accounts of their findings in newspaper interviews, articles, and books written individually or collectively. There is hardly any such material available concerning Fascist Italy. If an author occasionally travels in Italy it is for holiday and recreation, and his surface observation is not considered to be of a sufficient "news value" to be reported in the Press. This is explained by the fact that the outward signs of new social order in Soviet Russia appeal much more to our imagination than the less spectacular changes that may be observed by the casual visitor in Italy.

Nor does the Fascist Government go out of its way to disseminate information abroad about the working of the system. The Soviet authorities and their friends abroad produce an immense amount of literature to show the progress of the Five Years' Plan and to describe the favourable aspects of life in Soviet Russia. It is to their interest to do so, for their policy aims at

establishing Communism all over the world, and to that end they spare no effort to provide material calculated to make converts to the system. One-sided as this literature may be, it is none the less valuable to those who can read it with discrimination. Very little of such material is forthcoming from Fascist Italy. At the present stage, it is not to the interest of the Italian Fascist régime that similar régimes should be established in other countries. In fact, a growth of Fascism in States that are political rivals to Italy—especially in France and Yugoslavia—would be anything but desirable from her point of view, as it would be accompanied by a revival of Nationalism, which might easily clash with Italian interests. The Italian Government does not even make much effort to counteract the anti-Fascist propaganda made by *émigrés* settled in France and elsewhere. It displays, in fact, an almost complete indifference towards foreign opinion. If foreigners want to find out what is going on in Italy, they are welcome to investigate conditions there, and are given ample facilities by the authorities; but they have to collect the material themselves, instead of being supplied with the ready-made “dope”—to use the popular journalistic expression—that is forthcoming in such generous quantities from Moscow.

There is, indeed, no excuse for being ignorant of conditions in Italy. She is much more accessible than Soviet Russia owing to political, geographical, and linguistic considerations, and it is much easier for the average Englishman to obtain information in Italy than in Russia. Although criticism in the Italian Press is suppressed, it is easy to obtain frank critical opinions in private conversation with Fascists as well as with non-Fascists. To give only one example, shortly after

Signor Mussolini declared in a public speech that the Corporate State does not aim at being a managed economic system, a prominent Fascist told the author in Rome that he did not agree with his chief. "This is a matter of interpretation", he said. "The Corporate State is, in my view, a managed economic system." Fascist leaders do not resent friendly criticism, and they themselves are prepared to admit where the system has failed so far to produce satisfactory results.

In the circumstances, the conception that it is impossible to obtain information of what is going on in Italy—which seems to have taken root in English public opinion, and even in usually well-informed circles—has no justification. And yet, even international bankers, whose job is to know the situation abroad, and who have channels of information other than the local Press, seem to have got it into their heads that Fascist Italy is *terra incognita*. Ever since the author has worked in the City he has encountered a strong reluctance in banking circles to do business with Italy. "I don't know what is happening in Italy, and prefer not to take any commitments there", was the explanation usually given. Prudence is doubtless a virtue in banking, and "If in doubt, do nothing" is a time-honoured slogan. But these very same prudent bankers knew exactly what was happening in Germany—or at any rate they thought they did—and granted her huge credits unhesitatingly, with a result that is too well known to require recalling. Since the middle of 1931 they have had ample reason to regret that they did not divide their confidence and their credits more evenly between Germany and Italy.

In order to form an opinion about the Fascist economic system on the basis of the Italian experiment, it

is not sufficient to ascertain the facts of the present situation, and to compare it with the situation of ten years ago. There are a large number of factors which have vitiated the result of an experiment which, in any case, is still in its initial stage. In order to judge the results to date, it is essential to allow for these factors, whether favourable or adverse. We pointed out in Chapter I. that the psychological factor has been decidedly in favour of the system. Signor Mussolini's magnetic personality, and the revival of Roman traditions, have contributed to no slight extent towards making the system work. It is, indeed, open to doubt whether, without Signor Mussolini's strength and outstanding ability, the system would not have failed both politically and economically. Since the war we have witnessed the collapse of dictatorships in more than one country; in other countries they have produced mediocre results. To a great extent this was due to the inferiority of the dictator as an organiser and administrator. In this respect, Italy had an immense good fortune for which she cannot be sufficiently grateful. At the same time, it must be admitted that the choice of the system had a great deal to do with the relatively favourable results obtained in Italy. In other countries political dictatorship was combined with economic *laissez-faire* or with unsystematic and unscientific Government intervention. So far it is only in Italy that an effort has been made to combine political dictatorship with a planned economic system on capitalistic lines.

It is tempting to compare the economic results obtained in Italy with those obtained in Soviet Russia. There is, indeed, much comparable ground between the two experiments. Both Fascists in Italy and Bolsheviki

in Russia took over the power at a moment when the country was in the throes of political and economic chaos, with immense wealth destroyed and with productive capacity at a low ebb. Both countries have been governed by statesmen of outstanding genius whose will has been law, and whose schemes have not been hampered by the necessity of pleasing political parties and electors. There, however, the similarity ends. It is unquestionable that Fascism in Italy began its work in less favourable conditions than Communism in Russia. The latter freed itself of the handicap of inherited financial burdens by repudiating all debts contracted under the previous régime. The Fascist régime, on the other hand, assumed responsibility for the debts inherited from its predecessors, in accordance with its basic principle of respect for private property. In fact, it even aggravated the burden of the debt by stabilising the lira at a high level. This self-imposed handicap has proved heavier than is generally supposed, and had caused a depression even before the beginning of the world crisis. But for the ability of the Fascist system to accelerate the process of readjustment, the unfortunate choice of the rate of stabilisation for the lira might have brought about even more serious consequences than those witnessed in Italy since 1926. As it is, a very large proportion of valuable energy that might otherwise have been utilised for the building up of the Corporate State has had to be wasted upon a process of readjustment. As at the time the Fascist economic system was only in its initial stage—the Labour Charter was introduced in 1927—the readjustment during the transition period was particularly difficult. Between 1926 and 1930 the depression prevailing in Italy presented a discouraging

contrast with the prosperity of most other countries. But that prosperity has since proved to be fictitious, so that we are now in a position to say that Italy has missed little by failing to share it. Moreover, during her period of depression, Italy became hardened to face the subsequent crisis. Nevertheless, owing to the stabilisation of the lira at an uneconomic level, the progress of Fascism in an economic sphere was not nearly as satisfactory as it would otherwise have been. Now that the establishment of the system has reached a more advanced stage, it would doubtless stand a similar test more satisfactorily.

Apart from passing adverse consequences, the overvaluation of the lira had the permanent adverse effect of increasing the weight of debts, public and private. But for the existence of a public debt of about one milliard gold pounds—a staggering amount for a country with Italy's moderate financial resources—the Government would find it much easier to embark upon schemes of public works and to carry out the regrouping of productive forces in accordance with changed requirements.

It is only if we bear in mind the presence of such a severe handicap that we can truly appreciate the progress made during the ten years' rule of Fascism in Italy. This progress is so evident that even the superficial observer without any special knowledge and without any special facilities for inquiry is bound to notice it. The outward symptoms of progress and stability are, in fact, much more important than any material that can be provided by the use of official statistics. The change in the external appearance of cities and villages is a more convincing evidence of progress than the most intimidating array of tables

and charts about the increase of production or the use of electric current. We live in a disillusioned and cynical world, and official statistics are usually looked upon with distrust. Most people are, in any case, aware that there is hardly anything under the sun that cannot be proved by a skilful grouping of figures. The evidence provided by our senses is, however, above suspicion.

A brief visit to Italy is sufficient to impress the keen observer with the outward evidence of stability and discipline. Even before the war, the irregularity of the Italian train service was proverbial, and the deterioration of conditions during the war was much greater in Italy than in any other country in Western Europe. To-day the trains—not only the international expresses but also the local trains—are punctual to the minute. The carriages and stations are kept scrupulously clean. The streets in the towns are as tidy as in any model German city; even Naples is becoming clean, much to the regret of the lovers of romance. The deplorable failure of the crusades against litter in England throws the significance of the Italian success into strong relief, especially as Italians, unlike Germans, are by no means naturally tidy and disciplined.

The regulation of street traffic in the main thoroughfares of the big cities is highly efficient; there is very seldom any congestion and, notwithstanding the Latin temperament, little superfluous hooting. The automatic telephone services of Rome and Milan are amazingly efficient; the moment the last number has been dialled you are connected. Those who have suffered agonies through the scandalous inefficiency of the automatic telephone system of London will appreciate what this means.

The standard of honesty has evidently increased.

Hotels no longer attempt to overcharge foreign visitors. Tourists are no longer pestered by dozens of beggars, pedlars, and guides. The courtesy of those with whom tourists come in contact leaves nothing to be desired.

These observations taken purely from the surface may be checked by anyone travelling in Italy. Their significance can be appreciated only by comparison with the state of affairs ten years ago and before the war. In itself, the external appearance of a country may be misleading. The fact that in Germany, for instance, streets and individuals in poor districts are tidy, often leads to the mistaken conclusion—by people who do not know that Germans have a talent for keeping tidy amidst the direst misery—that the extent of poverty in that country has been overstated. In Italy the remarkable improvement of the outward appearance of cities may be interpreted either as a sign of an improved standard of living, or as a sign of a favourable change in the character and habits of the nation. Whichever is the case, the progress is gratifying. Unfortunately, there is no reason to assume that it indicates any material improvement in the standard of living; it would, indeed, be too much to expect an improvement, considering that in practically every country there has been a more or less substantial deterioration. Although it would be a mistake to conclude that the improvement in the external appearance of Italy indicates a corresponding increase of prosperity, it is certainly safe to conclude that there has been no material deterioration.

Inasmuch as the favourable external symptoms indicates an improvement in the spirit and character of the Italian nation, they foreshadow a substantial economic improvement in the not distant future. For they

undoubtedly indicate improved efficiency which, sooner or later, is bound to become translated into terms of economic progress. The Italy of the *dolce far niente* is a matter of the past. This may be disappointing to many lovers of Italy, who will mourn the disappearance of the type of the delightfully romantic and easy-going, if inefficient and undisciplined, Italian. But a nation does not exist for the benefit of foreign observers in quest for interesting or lovable human specimens; if efficiency and discipline brings improved living conditions, it provides ample compensation for the passing of an age of romance.

Certainly the human material, with the aid of which Signor Mussolini has succeeded in improving the outward appearance of Italy amidst world-wide deterioration, is highly suitable for the economic experiment that he is attempting to carry out. Discipline has increased the value of the 42 million Italians, not only from the military and political, but also from the economic, point of view.

The outward signs of relative prosperity in Italy are too obvious to be overlooked even by the most casual of visitors. And yet, in many cases they fail to inspire confidence. "This is all very well," said a banker to the author on his return from a holiday in Italy, "but how far is it genuine and how long will it last?" He and many others suspected the symptoms of welfare of being due to inflationary causes, and expected that sooner or later the "house of cards" would collapse. They have been expecting it for the last ten years, and yet the outward signs of progress become more and more evident. Even if they do not believe in the statistics published by the Bank of Italy and the Italian Treasury, they ought to believe in the fact that,

notwithstanding all difficulties caused by the overvaluation of the currency, the prolonged depression, the excessive burden of debt, the distrust of foreign countries, and the repercussions of the world crisis, the exchange value of the lira has remained stable. As for its internal value, it has appreciated more than that of any other currency. When France stabilised her currency at 124 to the pound, Italy stabilised hers at 92; consequently, the cost of living in Italy was for years higher than in France. To-day, however, every traveller admits that Italy is a cheaper country than France. There are no symptoms indicating the presence of an inflated currency. On the contrary, retail prices are still on the decline, which could hardly be the case if the doubts of those who do not trust the genuineness and permanent character of the outward signs of progress were well founded. Whatever improvement can be observed in Italy during recent years has been attained, not with the aid of inflation, but in spite of deflation. Signor Mussolini, like Hercules, has chosen the more difficult of the two alternate roads. His achievements in the economic sphere are, therefore, all the more considerable.

CHAPTER III

THE CORPORATE STATE

THE term "Corporate State" is almost unknown outside Italy; it conveys little or nothing to the man in the street in England, while even most economic experts and politicians have only hazy notions of its meaning. Volumes could be written about its political, social, and legal aspects. From a political point of view it is a new type of constitutional system in which the employers and employed, grouped into mixed national corporations, play a predominant part in the government of the country. It is a new kind of democracy as contrasted with the Parliamentary democratic system. From a social point of view, it entails the elimination or reconciliation of conflicts between various classes of the population. From a legal point of view, it implies a new conception of the rights and duties of individuals within the State, and a modified conception of the limitations on the use of property and productive factors. All this is beyond the scope of the present book, which is confined to the examination of the economic aspects of Corporate State.

Before everything else, it is necessary to rule out certain erroneous notions that have gained ground abroad about the Corporate State. It is not identical with a "dictatorship of the Right" as contrasted with the Communist "dictatorship of the Left". In fact, it need not necessarily be based upon dictatorship. It is true that in Italy dictatorship existed before the foun-

dations of the Corporate State were laid by the "Carta del Lavoro" (Labour Charter). This was, however, the result of circumstances. Dictatorship, as it has existed in Italy during the last ten years, is only a transition period. The trend of evolution is towards the creation of a new democracy as a permanent basis of the Corporate State. Already the heavy hand of dictatorship is used much less than in the earlier stages; and a time will come when the use of the dictatorial power of the Head of the Government will be a rare exception.

"Corporate State" is not identical with "planned economic system". It is possible to conceive such a system on a different basis, although the Corporate State provides an ideal basis for it. Conversely, it is possible to conceive of a Corporate State without the application of a planned system of production and distribution. In fact, most authors describing the system pay very little attention to its relation to economic planning. They see in the Corporate State merely an instrument for establishing industrial peace. Regarded from the point of view of its historic evolution they are undoubtedly right. For, before it could be used for any other purpose, the Corporate State had to undertake to secure industrial peace. Until comparatively recently, Fascism in Italy has focussed its activities upon achieving this end. As we shall see in a later chapter, its success in this respect has been complete. This alone would amply justify the system, even if it were to aim at no higher goal. In reality, Fascism has much bolder ambitions in the economic sphere than merely ending class war and industrial strife. It aims at the reorganisation of production and distribution on the basis of economic planning.

Ever since the beginning of the Fascist régime,

Signor Mussolini has intervened in every department of economic activity. This is only natural, for dictatorship does not and should not confine itself to the political field. Nor is it easy for a strong man in power to remain passive when it is only too obvious that by intervention he can bring about an improvement. It would be a mistake, however, to regard Signor Mussolini's interventionism as merely an individual policy of a strong leader. Doubtless a man of his strength would intervene in any case, no matter what was the economic and political system. In fact, he intervened before the creation of the Corporate system in Italy. But that system itself is based on intervention in, and regulation of, economic activity, irrespective of whether it is run by a dictator or by a constitutional Parliamentary Government.

It may be asked how it is that, although the Fascist régime has been in existence in Italy for over ten years, it has not yet reached the stage of developing the Corporate State to its logical conclusion by the establishment of a planned economic system. The answer is that Rome was not built in a day. It took Communism in Russia ten years before it could settle down to economic planning on scientific lines by means of the Five Years' Plan. And yet, the theoretical basis of the system existed long before 1917, and the present leaders had ample opportunity to study it and consider it during their long years of exile or imprisonment. Although Fascism has not entered the practical field without theoretical foundations, in 1922 there existed no cut-and-dried system ready to experiment with. Even to-day, after ten years of Fascist rule, the ultimate aims of the system are far from clear. In the circumstances, it is hardly surprising that the progress

towards planned economy is slow. The first step to that end was the introduction of iron discipline in the economic system, through the formation of National Corporations.

This was achieved through the development and expansion of the syndicates of employers and employees that had been created after the war. In 1926 the status of these syndicates was regularised by legislation. The basic ideas of the Law of April 3, 1926, are:

- (1) The voluntary character of membership.
- (2) Official recognition as soon as a syndicate represents 10 per cent of those engaged in the trade or profession.
- (3) The right and duty of the syndicates thus recognised to represent all non-members in the same trade or profession.
- (4) The interdiction of strikes and lock-outs, and compulsory acceptance of the decision of Labour Courts for the settlement of disputes.

It is not the object of the Corporate State to suppress the identity of classes by merging them into mixed Corporations. Within the framework of these Corporations the syndicates of employers and employees retain their respective identity. Each Corporation—with the exception of that of the Professional Men and Artists—consists of two National Confederations, the one representing the employers' groups, the other the employees'. The following is the list of the thirteen great Confederations which form the basis of the six corporations:

- (1) The Corporation of Agriculture:
 - (a) The National Fascist Confederation of Farmers.

- (b) The National Confederation of Fascist Agricultural Syndicates.
- (2) The Corporation of Industry:
 - (a) The General Fascist Confederation of Industry.
 - (b) The National Confederation of Fascist Industrial Syndicates.
- (3) The Corporation of Commerce:
 - (a) The National Fascist Confederation of Commerce.
 - (b) The National Confederation of Fascist Syndicates of Commerce.
- (4) The Corporation of Internal Transport:
 - (a) The National Fascist Confederation of Internal Communications.
 - (b) The National Confederation of Fascist Syndicates of Internal Communications.
- (5) The Corporation of Sea and Air Transport:
 - (a) The National Fascist Confederation of Sea and Air Transport.
 - (b) The National Confederation of Fascist Syndicates of Seamen and Airmen.
- (6) The Corporation of Banking and Insurance:
 - (a) The National Fascist Confederation of Credit and Insurance.
 - (b) The National Confederation of Fascist Syndicates of Employees in Banks and Insurance Offices.
- (7) The National Confederation of Fascist Syndicates of Professional Men and Artists.

The administrative organisation of the Corporate system proceeded a step further by the establishment of the National Council of Corporations in 1930. It

consists of seven sections corresponding to the six joint corporations of employers and employees and the National Confederation of Fascist Syndicates of Professional Men and Artists.

It is not within our scope to go into the details of the administrative organisation of the Corporate State, nor into the details of the rules governing their activities. What matters from an economic point of view is that within the framework of the system a feeling of solidarity between the apparently conflicting interests of various groups has developed. Although primarily concerned with the amicable settlement of industrial disputes, the scope of the corporations was from the very outset much wider. It has been defined in the Labour Charter of April 21, 1927—the full text of which is published in Appendix I.—which occupies the same place in the history of Italian Fascism as the *Déclaration du droit de l'homme et du citoyen* occupies in the history of the French Revolution. In accordance with the spirit of the Labour Charter, the activities of the corporations were extended to cover social assistance, education, moral and patriotic influence on members, etc. The first and immediate effect of the creation of the Corporate system was the improvement of relations between employers and employees. The number of conflicts brought before the Labour Courts is relatively small and has tended to decline. Any differences that arise between them are usually settled amicably.

The Corporate system has played a very important part in connection with the reduction of prices necessitated by the choice of a high rate of stabilisation for the lira. One of the main reasons why the deflation that preceded the international fall of prices did not

provoke a violent crisis in Italy was that, thanks to the Corporate system, it was possible to adjust prices and cost of production. In no country was it so easy as in Italy to obtain the consent of employees to a reduction of wages, in accordance with the fall of prices and with the depressed state of industries.

The spirit of solidarity and co-operation created by the Corporate system has not confined itself within the limits of the trades and professions included in the particular corporation. The Corporate spirit has become nation-wide, thanks to the development of a new conception of the public character of the function of everybody engaged in the production and distribution of goods. According to this conception, every employer and employee is a civil servant in the broadest sense of the term. At the same time, they are also part of the legislative and administrative organisation of the country. This dual capacity confers upon them certain rights and duties which are unknown in a Parliamentary democratic system. Above all, it creates in their minds a feeling that they form part of the State, and that their interests are identical with those of the State. A feeling of solidarity and of responsibility has developed within them. This does not mean that they have forsaken their individual and sectional interests. Fascism does not aim at such a Utopian goal; it is satisfied if individual interests are brought into accord with public interests as far as that is possible. It is evident, for instance, that it is to the interest of everybody to produce much and to produce cheaply. In this respect the interests of employers and employees are identical. It is only when it comes to the distribution of the proceeds of production that their interests are at variance. The realisation of

this fact makes it much easier to find a common ground for all-round agreement.

Unlike similar agreements in other countries, the agreements on wages and working conditions in Italy do not amount to a conspiracy between employers and employees in the same trade to sacrifice the interests of those outside their particular trade. In accordance with the spirit of the system, the interests of every class of the community have to be borne in mind. Therein lies the fundamental difference between the Corporate system and Socialist Trade Unionism. Trade Unions in Great Britain and other countries consider it their sole duty to obtain the maximum advantages for their members in the way of wages, working hours, etc. To that end they throw their whole immense influence into the scale and do not bother about the repercussions of their victory upon those outside the Union, nor even about the indirect repercussions upon the members of the Union itself. Thus, any Trade Union would consider it a splendid victory to compel employers to grant an increase of wages, even though such an increase will eventually fall on the shoulders of consumers in the form of increased prices, or would aggravate the position of some other trade which depended for its prosperity upon the profitable use of the products of the trade concerned. In certain isolated cases the effect of the change of wages on the sale price of the product is considered, but in the predominant majority of cases Trade Union officials lose no sleep over the price those outside their Union have to pay for their victory.

In the case of agreements negotiated in the Corporate State, the representatives of both employers and employees take a broader view. Although the syndicates and confederations represent sectional interests,

they realise their responsibility as part of the whole system. In the Corporate State it is not possible for the producers of a raw material to sacrifice the interests of the users of that raw material in order to satisfy the wages demands of their employees; nor is it possible for manufacturers of finished goods to buy industrial peace at the cost of consumers. It is evident that without even consciously embarking upon the establishment of a planned economic system, the Corporate State by its mere normal functioning contains the elements of a planned economy. It is contrary to the fundamental principle of *laissez-faire* to consider in economic activity any interest other than our own. According to the nineteenth-century Liberal school of thought, all that anybody in the course of his economic activity had to do was to endeavour to obtain for himself the maximum advantages at the minimum sacrifice. In private life we may be generous and charitable, but in the sphere of our economic activity we are supposed to be devoid of any public spirit. This school of thought firmly maintained that in looking after ourselves we all unconsciously contributed to the welfare of mankind, an end that was supposed to be achieved by the automatic play of economic factors.

The moment we begin to discuss the consequences of our actions upon others than those directly concerned we depart from pure *laissez-faire* and enter the field of economic planning. It is, of course, a far cry from the subconscious "planning" implied in the elementary working of the Corporate system to the deliberate adoption of scientific planning in the place of the unscientific anarchy that characterises the system of *laissez-faire*. Nevertheless it would be difficult to deny the existence of the elements of planning in a system in

which economic activity is carried on with due regard to its repercussion upon other spheres of economic life. Once this principle has been adopted in the place of the nineteenth-century slogan of "everybody for himself", the progress towards conscious adoption of planning is inevitable. Even if the leaders of Italian Fascism were to be opposed to the idea of a planned economic system, they would find it difficult to arrest the trend of evolution which they initiated through the organisation of the Corporate State.

Conversely, planning would be difficult in a Capitalist State unless the Corporate system was adopted for its basis, in substance if not in actual form. Although politically the Corporate State in Italy is based on dictatorship, economically it is based to an increasing degree on voluntary co-operation between the various economic interests. On the other hand, while the attempt to introduce economic planning in a country without the preliminary creation of a Corporate system might be carried out on the basis of the existing system, the laws regulating economic activity would have to be imposed upon a grudging population. The enlightened Government and Parliament would have to face the resistance of hostile economic interests which might frustrate their efforts, or at any rate would render their enforcement very difficult. Evidently the first step towards planning is the creation of discipline and a spirit of co-operation in economic life.

An alternative to planning imposed upon economic interests by Governments and Parliaments is planning decided upon and carried out by the economic interests themselves within their own respective spheres. There have been ample examples of such planning before, as

well as after, the war. Cartels and trusts have endeavoured to regulate production, nationally or internationally, within their sphere. Agreements have been concluded between producers of the same kind of commodity to regulate output. All these agreements were characterised by the same egotistical attitude that characterised the policy of Trade Unions. The producers aimed at obtaining the maximum advantage for themselves, without considering the repercussion of their policy upon outside interests. Their endeavours towards co-operation and planning were confined to their particular branch of activity, and there was no concerted action between those branches to act in accordance with a general plan. Governments did not endeavour to co-ordinate these efforts towards planning. As the result public interest was sacrificed, while very often, owing to their short-sighted selfishness, the producers themselves had in the long run to pay the price.

In Fascist Italy cartels and trusts are not encouraged, notwithstanding the fact that, through their medium, planning might be easier. Inasmuch as they are tolerated, they are placed under the supervision of Corporations so as to fit their activities into the general working of the system. It is feared that, otherwise, their planning efforts might bear no relation to the national economy as a whole, and might even be directed against the interests of the nation. Possibly the desire to weaken individualistic tendencies among producers was one of the reasons why the Corporations have been organised on broad lines, and instead of embracing one branch of industry embrace a whole branch of the economic system. While a corporation of, say, the chemical industries, consisting

of a relatively small number of units, would differ too little from a cartel, and would be inclined to regard matters from the narrow point of view of its own interest, the Corporation of Industries embraces many independent and conflicting interests, and is bound to have a broader point of view.

It appears that planning in a Capitalist State cannot be carried out successfully either by imposing it upon unwilling economic interests, or by allowing those interests a free hand to devise their own schemes. It is only by combining the desire of economic interests to co-operate with the guidance of the central authority that planning can be made to succeed. Such combination exists in the Corporate State, which is therefore eminently suited to be the medium for the introduction of economic planning.

CHAPTER IV

PRODUCTION IN FASCIST ITALY

DURING the ten years of Fascist régime, Italy has witnessed a spectacular recovery of her productive forces, which had been utterly disorganised during and especially after the war. This was only natural, for with the restoration of political stability and the establishment of industrial peace production was bound to attain and exceed its pre-war figures. The mere increase of production is not in itself sufficient to prove the superiority of the Fascist economic system over *laissez-faire*. After all, in other countries there was also progress; having fallen very low during the war, and especially during the post-war inflation and the subsequent depression, there was ample scope for production, both in Italy and in other countries, to recover. In any case, in a world that is suffering from overproduction it may well be asked whether an all-round increase of output is in itself an asset or a liability.

What was more important than the mere increase of the annual total production of Italy was the progress towards a better balance in her system of production. In most other countries the increase of production took place unsystematically, under the influence of some passing chance demand. As a result, overproduction developed in certain branches, while others became too dependent upon the ability and willingness of foreign countries to buy their goods. In only two

countries have systematic efforts been made to divert the increase of production into proper channels. In Soviet Russia the Government concentrated its efforts mainly upon the development of industries. In Italy the Government's main concern was to increase agricultural production.

Although primarily an agricultural country, Italy depended, until recently, upon imports for a very substantial part of her food requirements. So long as her emigrants in the United States and elsewhere supplied her with milliards of lire of remittances, there was no danger in this. As, however, since the war there has been a growing tendency towards a decline in emigrants' remittances, Italy's economic stability might easily have been disorganised but for the increase in her agricultural production. This increase has been brought about by a deliberate campaign, popularly called the "wheat battle". The Government has concentrated a great deal of its efforts upon increasing the production of wheat by land reclamation, the fertilisation of hitherto sterile districts, and the encouragement of more intensive methods of cultivation. With an enthusiasm compared with which the short-lived "Buy British" movement fades into insignificance, the Italian authorities and population threw themselves into the task of increasing agricultural production. Not only have they increased the acreage of arable land, but also the production per hectare. Their efforts were well rewarded, for by 1932 they had become practically self-sufficient.

Another instance of the success of the endeavours of Fascism to make Italy's economic system better balanced is the spectacular increase in the use of hydro-electric power. Italy is handicapped by her poverty in

mineral resources, especially in coal. In order to become less dependent upon foreign coal supplies, the Government has encouraged the utilisation of the considerable hydraulic forces in Northern Italy. Although this source of energy does not altogether compensate the country for its lack of fuel, the progress in this sphere has certainly made her more independent.

It would be idle to pretend that these and other similar achievements of the Fascist régime were due exclusively to the special characteristics of that system. Any strong Government which knows what it wants and how to obtain it could have attained similar results. It is, however, easy to carry out such fundamental alterations in the economic system in a Corporate State. Thanks to the industrial peace, the elasticity of wages, and the Government's determination to intervene whenever necessary, Fascist Italy was in a peculiarly good position when it set itself to bring about such far-reaching changes.

It would be a mistake to regard the efforts of the Fascists in Italy to obtain a better-balanced system of production as merely a high degree of protectionism. There is a considerable difference between the efforts made by other Governments to encourage certain branches of domestic production, by means of customs tariffs and subsidies, and the Italian system. In other countries, protection and subsidies were granted to certain branches of production in the interest of those particular branches, and without regard to the effect upon the country as a whole. In Italy the policy of encouraging certain branches of activity has been part of a general policy containing all the elements of planned production. It would have been easier, and more spectacular, to concentrate upon encouraging

those branches of industry which have already proved successful in expanding their overseas market. With a praiseworthy foresight, the Fascist Government abstained from concentrating upon that task. On the contrary, far from treating the development of the export trade as a vital necessity for Italy, it has aimed at reducing the relative importance of exports in the economic life of the nation to that of a luxury which, to a great extent, could be dispensed with if necessary.

We shall see in a later chapter that a high degree of economic self-sufficiency is essential in a Fascist State during the early stages of its development. In order to be able to carry out successfully the experiment of establishing a new economic system, the Fascist Government had to secure for itself, as far as was possible, a relatively high degree of independence from international economic influences. Hence their endeavours to obtain a better-balanced system of production.

While in the sphere of distribution the Fascist economic system has discarded individualism to a great extent, in the sphere of production individual initiative still plays, and will always play, a prominent part. There has been no question of nationalising the means of production. Apart from a restricted number of monopolies and state-owned enterprises, production in Italy has remained, and will always remain, in private hands. Nor has the Fascist régime attempted to impose upon producers any cut-and-dried plans. Any individual or company owning agricultural or industrial means of production is at liberty to produce on its own responsibility.

There is, indeed, no need for such a high degree of Government interference with production as with dis-

tribution. As we pointed out in the previous chapter, the interest of those engaged in production is largely identical as far as the process of producing is concerned. It is only when it comes to distributing the proceeds that a certain conflict of interests develops between them. A relatively high degree of Government intervention, actual or potential, is indispensable to conciliate these conflicting interests. A much smaller degree of intervention is sufficient to safeguard the interests of all concerned in the sphere of production itself.

It is only when, in the opinion of the authorities, private activity is not in accordance with national interest that they decide to intervene. This intervention may be either active or passive. If the Government considers that in a certain direction individual initiative does not adequately meet requirements, it will intervene to stimulate production in that particular branch. This was the case in wheat production, as we have seen above. Apart from the moral stimulus given to agricultural production by using all available means of propaganda to work up an enthusiasm for producing more, the Government was also directly responsible for the increase by granting financial assistance to various land-drainage schemes. Another way in which agricultural production was officially stimulated was by arranging for the transfer of labourers from the overpopulated Po valley to other regions of Italy where they could display their productive activity more beneficially.

But such Government intervention is exceptional. On the other hand, there are thousands of different ways by which the Corporations themselves have contributed towards the betterment of methods of

production. It is a mistake to imagine that the sole task of the Corporations is to prevent industrial conflicts and to conciliate the interests of employers with their employees. The attention of Corporations extends over every sphere of economic activity of their members, and there are innumerable ways in which they can unobtrusively influence production.

The object of Government intervention in a passive or negative sense has been to prevent production from developing in undesirable directions. In particular, the authorities have tried to prevent reckless overproduction in any particular branch. Thanks to the unique statistical organisation of the Ministry of Corporations, the Government is fully informed of the changing tendencies of production. This statistical service has been brought to such a degree of perfection that, as the author was assured by one of the leading exponents of the Corporation system in Italy, the Ministry of Corporations receives approximate output figures that are not more than a week old. If we remember how many years our own "Census of Production" is behind time, we are bound to admit that in the sphere of statistics we have something to learn from Italy.

If the Ministry of Corporations considers that there is gross overproduction in any direction, the authorities will withhold permission to create new factories in that particular field. Permission is, on the same ground, refused for the extension of existing plants. But such intervention is exceptional, and in the normal course the desired end is obtained through the medium of voluntary agreements negotiated within the Corporations.

It is understood that additional legislative measures are under consideration to empower the Government

to intervene in order to encourage the rationalisation of industries. Those who have followed the desperate struggle of enthusiasts in Great Britain to induce our industries to rationalise will doubtless look upon the Italian system with envy. It is only through possessing powers of intervention that rationalisation can be obtained quickly and effectively.

We have seen during the last few years, after endless negotiations, attempts at rationalising various branches of industry or commerce eventually fail because of the unwillingness of certain interests to fall into line with the proposals. The personal element played a great part among the causes of these failures. It is most unlikely that, in Italy, the ultra-conservatism, or selfish greed, or short-sightedness of any individual enterprise would be able effectively to frustrate a rationalisation scheme which was considered to be in accordance with the common good. Although private property is respected in Italy, the exercise of right over private property is subject to restrictions dictated by considerations of public interest. Individualism is most unlikely to become, in Italy, a stumbling-block to rationalisation.

What is more, rationalisation will not be carried out at the expense of workmen who will thereby become superfluous. In Germany and other countries leading industries have been rationalised beyond recognition, and the result has been a spectacular increase in unemployment; even before the world crisis had begun. Those who carried out the rationalisation had no reason to worry about its reaction on the thousands of workmen whom it made superfluous; they were only concerned with the interest of the enterprises, themselves. There is reason to suppose that, in

Italy, workmen who have been displaced by the application of more efficient methods, will have new employment created for them.

As things are at present, production in Fascist Italy is still far from being a planned production. It will, indeed, never become planned production in the sense that the term is applied in Soviet Russia. The rigid application of the principles of planning upon production can only be successful if those same principles are also applied to consumption. In Soviet Russia the Government is certain to be able to sell everything it produces, simply because a system of rationing, coupled with a shortage of goods, have completely standardised consumption. Otherwise the calculations of the central authority would be upset by the caprices of individualism in consumption. It could never be the aim of the Fascist economic system to rule out individualism in consumption, and therefore it cannot be their aim to follow the Russian example in applying rigid principles of planned production.

The Fascist State does not wish to determine exactly how many pairs of shoes of a certain colour, size, and quality should be produced next year. If, however, it is evident that there is gross overproduction in shoes, and that there is little hope of a corresponding increase in demand, even through the reduction of the selling price, then the authorities do not hesitate to use their power to intervene in order to avoid the waste of resources and energy that overproduction entails. Under the régime of *laissez-faire*, overproduction admittedly creates its corrective in the long run, but only after the unsaleable supplies have caused a slump in the price, and this has caused the ruin of many producers who had a *raison d'être* under normal conditions. It is not

even always the fittest that survive, for superior technical equipment and financial resources adequate to weather the crisis do not necessarily go together.

The Fascist system is very elastic, and its principles are far from settled. As far as production is concerned, it aims at retaining individual initiative without allowing it to lead to excesses. The beneficial effects of free competition are retained, and if a manufacturer succeeds in improving his methods there is nothing to prevent him from enjoying the benefit of his success. The Government will, however, always be ready to intervene in cases of cut-throat competition. A producer can lower his sale prices provided that the reduction is the result of some new invention, or of the application of more efficient methods. But if he tries to ruin his rivals by selling at a loss until they are eliminated from the field, the authorities do not hesitate to take preventive action.

The Fascist system of production is thus based upon a curious mixture of individualism and State intervention. It is believed among leading Fascist economists that there is a tendency towards a decline in the amount of State intervention. This does not, however, mean that *laissez-faire* is regaining lost ground. Government intervention is increasingly assuming the form of regulatory action by the Corporations themselves. It is impossible to ascertain the extent to which this regulatory activity represents the combined will of the majority of the members of the Corporations, and how far it is dictated from above. It seems that producers, like every other section of the community in Italy, are gradually realising the wisdom of direct or indirect intervention, and find it increasingly less unpleasant to obey. In fact, they are gradually succeeding in con-

vincing themselves that it is not a case of submitting to dictatorship, but of following a course which, though in accordance with the wishes of high quarters, is also in accordance with their own personal wishes. As the poet says: "*Es gibt kein Glück auf's Erden als wollen, was mann soll*" ("There is no greater happiness in the world than to want to do what we have to do in any case"). The Italians have come to feel that the measures imposed upon them by dictatorship are in accordance with their own wishes. The moment they begin to feel that their action is voluntary, it becomes voluntary for all practical purposes, even though the shadow of dictatorship remains above them.

CHAPTER V

PUBLIC WORKS AS AN ECONOMIC FACTOR

IN previous chapters we have touched superficially on the intervention of the Italian Government in economic activity in the form of undertaking public works of an exceptional nature. This intervention has assumed a particular importance since the beginning of the economic crisis.

To a great extent it takes the place of the dole. Although, as we pointed out before, Signor Mussolini has the interests of the working classes at heart to a greater extent than those of any other class, he refused to yield to the temptation to create a system of unemployment benefits comparable with that of Great Britain. In accordance with the real interest of the working classes as contrasted with their apparent interest, he preferred to provide them with work within the limits of possibility, instead of prolonging their unemployment by paying them doles. The amount of unemployment benefit in Italy is moderate even for the low standard of living prevailing in that country, and it is paid only for a short period. Notwithstanding this, there are no outward signs of poverty and distress in the big cities.

The main reason why unemployment in Italy is relatively more moderate than in any of the other industrial or semi-industrial countries is that a large percentage of the unemployed have received employment as a direct or indirect result of public works

carried out under the auspices of the Government. It is difficult to estimate the approximate number of those who have thus benefited by the Government's policy. In addition to the public works carried out directly on account of the Government itself, a number of semi-official and private enterprises are also carrying out similar works with the Government's assistance. Moreover, the material and manufactures used for these public works, and the spendings of the labourers engaged in them, create additional employment, which again leads to increased spending. It may be said without exaggeration that the number of unemployed in Italy, which fluctuates around a million, would be about twice that figure but for the ambitious policy of capital expenditure undertaken by the Government.

Economists and pseudo-economists in Great Britain and elsewhere are divided into two camps. They are in favour of saving or of spending. While they have been engaged in endless theoretical argument, few of them, if any, have realised that there is at least one Government which has put the idea of the "spenders" into practice. The experience of Italy certainly deserves their attention. The Italian Government, leaving theoretical considerations aside, has embarked upon a bold policy of public works to relieve the depression, and to increase the productive capacity of the country.

Admittedly Italy is not the only country to provide employment by exceptional public works. In France the scheme for the development of the *outillage nationale* has had the same end in view. In a number of other countries the Government has endeavoured, within the means at its disposal, to relieve unemployment. The extent of the relief thus provided has, however, been moderate compared with Italy, where the Govern-

ment has undertaken a really ambitious scheme of public works, providing employment, directly or indirectly, for hundreds of thousands of workmen.

Italy had the courage to embark upon heavy capital expenditure—far beyond the current budget resources—because there was sufficient confidence in the political and financial stability of the Government to warrant such a bold policy. Thanks to the firmness with which the Government has controlled the factors influencing public opinion, there was no need to fear adverse repercussions as the result of such expenditure. In other countries fanatics of sound finance, who would rather see an increase of unemployment by one million souls than an increase of public expenditure over revenue by one million pounds, would raise a storm of protest and would succeed in convincing a large section of the public that what was being done was inherently unsound and dangerous. In undermining confidence they would increase considerably the effect of the evils they denounced, evils which might otherwise have passed unnoticed and would certainly have been counteracted by the beneficial effects of wise spending. Such opposition to the Government's plans is out of the question in Italy. Any economists who are dissatisfied have to grumble behind closed doors.

Another reason why Italy is in a better position than other countries to undertake public works is the existence of a certain amount of planning. Although, as we emphasised in previous chapters, in this respect the Fascist régime is still at a relatively primitive stage of development, Italy is certainly at a more advanced stage than any other country, with the exception of Soviet Russia. The authorities have a certain influence over the economic system, even though their control is

vague and far from complete. They are therefore in a better position to fit in their programme of public works with the general economic evolution of the country. The Ministry of Corporations has its finger on the pulse of production and knows when and where stimulus should be applied. In determining the nature of the public works, one of the fundamental considerations is that they should be productive and self-liquidating. The object is not merely to provide employment but to create permanent earning facilities for the surplus population. In this respect the nature of the Italian schemes of capital expenditure differ fundamentally from most of the schemes advocated by economists and politicians in Great Britain. In Italy there has been no spending for spending's sake. The public works undertaken have not been merely a disguised form of dole, but were worth undertaking in themselves independently of their effect on unemployment.

It will be remembered that, in 1929, the programme of the Liberal Party, during the General Elections in Great Britain, included a gigantic scheme of road-building far in excess of genuine requirements. This scheme was characterised by one of the Conservative leaders as being equivalent to providing "racing tracks for speed fiends". It is in such a spirit that most British proposals for capital expenditure are conceived. Little or no attention is paid to the economic utility of the work undertaken, and the place it takes in relation to the existing system. So long as Mr. Lloyd George could show a spectacular reduction of unemployment by carrying out his road-building scheme, he would not have cared if the real and lasting benefit derived from the scheme was little more than nothing. It would not

have caused him sleepless nights to know that the capital expenditure involved in road-building would have destroyed an equivalent amount of capital invested in railways. There is no trace of such an irresponsible conception of public works in Italy. Every scheme is carefully scrutinised and is undertaken only if it is worth undertaking for its own sake.

Although in Italy road-building has been carried on to some extent, the main effort has been concentrated upon much more productive schemes, such as land reclaiming, land improvement, electrification schemes, and the utilisation of hydraulic forces, etc. Particular importance has been attached to the drainage of marshes, which has made remarkable progress during the last few years. Many ambitious schemes are in course of execution or under consideration. Part of the work is already completed, and the reconquered land has yielded a satisfactory crop this year.

Huge spaces of marshes, which have been useless since the Roman days, have been converted at considerable expense into productive land. Incidentally, in doing so the Italian authorities have made immense progress towards the elimination of the main sources of malaria, thereby improving public health beyond recognition. Anyone who is aware of the destructive influence of malaria upon the physical qualities of a nation—according to some historians, more than one great Empire collapsed owing to the deterioration of the human stock through that disease—will appreciate the immense historical significance of this aspect of the work of the Fascist régime. While Signor Mussolini has already succeeded in improving the Italian race morally, the elimination of malaria is bound to bring about sooner or later a corresponding improvement in

the physical qualities of the race. This in itself provides ample justification for the policy of public works adopted by the Fascist Government. Apart from the political significance of the improvement of the human material, it is of considerable importance also from an economic point of view, as it is calculated to increase the productive capacity of the nation.

In addition to the direct employment provided by the land-reclaiming works, the purchasing power of the population has been increased considerably by the increase in the home production of wheat. Thanks to the greater cultivated acreage and to the use of more intensive methods, the crop of 1932 covered domestic requirements. It is true that it was an exceptionally good year, but with the completion of land reclamation and of the improvements now in progress, a stage will before long be reached when even a medium crop will suffice for home consumption.

Another advantage of the new productive public works is that they provide permanent earning facilities for an increasing population. Since the war emigration has declined; since the crisis it has been practically checked. In fact, thousands of emigrants are returning from every part of the world. At the same time, the Government is encouraging large families by fiscal and other facilities. The new land obtained through draining and other improvements solves the problem of employing the surplus population, which would otherwise have increased the permanent unemployment.

Another consideration which is in the mind of the Fascist Government when planning its public works is the economic unification of the country. It is endeavouring to bridge the gap between prosperous North and poverty-stricken South. By increasing produc-

tivity in Southern Italy, the difference is to some extent levelled up, and this simplifies the task of consolidating the political unity in the whole country.

As we pointed out in the previous chapter, capital expenditure for the increase of agricultural production, and for the better utilisation of hydro-electric forces, is calculated to reduce the import of wheat and fuel and to render Italy more self-sufficient. It confers, therefore, a lasting benefit on the nation in addition to the passing advantages of increased employment.

It is thus obvious that the object of public works in Italy is more fundamental than the mere creation of temporary employment to mitigate the depression. It aims at stimulating the economic development of the country in accordance with a considered plan. It is not a panic measure decided upon under the pressure of sudden adverse developments. There is reason to believe that most of the public works carried out in Italy during the years of the crisis, would have been undertaken even if there had been no crisis. While in most other countries the crisis has resulted in a set-back, not only in current economic activities but also in the organisation and development of the countries' capital wealth, in Italy considerable progress has been made during the last few years in this latter respect, notwithstanding the crisis. Indeed, it may be said that unemployment relief was a secondary consideration, and that it was worth while to undertake the works for their own sake, irrespective of their effect on employment.

A large part of the land reclamation and other works has been carried out by private undertakings, but the Government's guiding hand has been present everywhere—in the planning, execution, and financing. The

works are not, as a rule, financed out of current budgetary resources; it would be, indeed, impossible to provide sufficient current revenue to meet the requirements of capital expenditure of such dimensions. A large part of the works have been financed by the issue of Treasury bonds and by borrowing on account of special institutions created for the purpose, which have raised funds by issuing Government-guaranteed bonds. As the market for public issues is narrow, the bonds have in many cases been placed privately with banks and savings banks, whose idle resources have thus found productive employment at a time when the commercial demand for credit was at a low ebb. The banking aspects of this method are dealt with in detail in a later chapter. It is sufficient to remark here that, although the employment of deposits, which may be withdrawn at short notice, in bonds running from twelve to twenty-five years is contrary to orthodox banking principles, in the special conditions prevailing in Italy this does not involve any danger.

The Italian nation trusts its Government implicitly. For this reason there is no danger either in unbalancing the budget for the sake of capital expenditure, or in using liquid resources for long-term investment. It may be contrary to the principles of orthodox banking and finance, but the special position of the Fascist Government fully justifies its departure from text-book rules in this respect.

The loans issued for land reclamation and other productive public works are self-liquidating. The purchasers of the new land repay the loans over a series of years. Thus, the expenditure does not result in a permanent increase of dead-weight indebtedness that would offset the advantages of relatively low unem-

ployment. This is where the advantages of well-planned productive capital expenditure, over schemes for providing employment at no matter what cost, come in. The burden of the expenditure on Mr. Lloyd George's famous roads would have remained in existence for generations, and the taxpayers would have had to face it long after the passing benefit of creating additional employment had disappeared. In the case of most Italian public works, the taxpayers are not called upon to shoulder the burden of the schemes for relieving unemployment. In the great majority of cases where the Government assumes a contingent liability by giving its guarantee to the loans issued for financing the schemes, the Treasury will never be called upon to make any actual payments. Even where the Treasury has to provide the funds to finance the public works, the chances are that, in the course of a number of years, it will recover the amounts spent, thanks to the productivity of the investment.

The example of Italy shows that the execution of extensive schemes of public works does not necessarily produce an inflationary effect. It is true that it has certain disadvantages. The issue of new bonds for financing the public works is probably largely responsible for the fact that the yield of Government bonds was until recently rather high. It may also account for the high rate of interest Italian industries still have to pay on their bank loans. During 1933, however, the bank rate was gradually reduced, and there is reason to hope that loan rates will soon be as low as in Great Britain.

On the other hand, it is thanks to the public works that the budgetary deficit can be kept at a relatively low level. Without them, the yield of taxation would

have further declined, while the cost of unemployment relief would be much higher. On balance, it may be said that the advantages of the course adopted more than outweigh its disadvantages.

It is true that, largely as a result of spendings on public works, the Italian budget shows a substantial deficit. It would be, however, absurd to expect a relatively poor country to finance capital expenditure on a large scale out of current resources. Orthodox economists, horrified by annual deficits of £50 to £60 millions, may rest assured, as the deficit is entirely covered by normal borrowing, without having to resort to inflation. The fact that, notwithstanding the deficits, the Government was able to convert successfully the 5 per cent Consolidated Loan, amounting to over a milliard pounds, on a $3\frac{1}{2}$ per cent basis shows that the Italian investor trusts his Government, notwithstanding the deficit. Nor is there the least difficulty in raising fresh funds at relatively low rates for the purpose of financing public works.

The question is whether, in case of a prolonged depression, it will be possible to carry on employment-creating work for several years. In the author's opinion, the answer is in the affirmative. There is still ample scope for productive work in Italy; while some of her provinces have been developed and cultivated to the saturation point, other districts are relatively undeveloped. To give only one example, it would take years before Sardinia could be adequately developed, in spite of the progress made in the utilisation of her economic resources during the last few years.

Nor should the financing of continued public works provide any unsurmountable obstacle. As the purchasers of reclaimed areas have already begun to

liquidate the debt raised for the drainage of their land, the funds thus received can be employed in new public works. There is also a steady increase in savings banks deposits and insurance funds which can be used for the same purpose.

Until there is a general trade revival, the Government is unlikely to experience any difficulty in providing the funds for capital expenditure. With the revival of normal business activity, the banks will be called upon by their customers to provide credit to a greater extent, and there will be a flow of funds from savings deposits and Government securities to industrial shares. At that stage, however, the Government can safely leave part of its capital expenditure to be carried out by private enterprise. With the return of the enterprising spirit, and of confidence in industrial undertakings, there should be no difficulty for private companies to find all the funds they may require. In accordance with the basic principle of Fascism, the Government will cease to intervene when private initiative is sufficient to produce adequate results.

CHAPTER VI

INDUSTRIAL PEACE

ADMITTEDLY the results achieved by Fascism in the sphere of production are vague, and their significance is open to argument. Its achievements in the sphere of the relations between the various factors of production are, however, incontestable. Even the worst enemies of Fascism have to admit that in this respect the state of affairs in Italy is ideal. The distribution of the proceeds of production is carried out in Italy with the least possible amount of friction between capital and labour. Incredible as it may sound, strikes or lock-outs have been outlawed in Italy since the advent of the Fascist régime in 1922. Differences arising between employers and employees have to be settled on every occasion, either amicably or by submission to the Labour Court, whose organisation and working is regulated by legislation reproduced in Appendix II.

It is a popular error to assume that in Italy the working classes are oppressed. As, during the years that preceded the March on Rome in 1922, Signor Mussolini and his Black Shirts had to fight a desperate battle with the Communists and Socialists then constituting the predominant majority of industrial workmen, it was thought to be only natural that, after their advent to power, they should endeavour to keep in subjection their vanquished opponents. Signor Mussolini himself is regarded by most people as the supreme representa-

tive of reactionary despotism. He is considered to be ultra-conservative, something like a modern Tsar. The extent to which this conception has been generally adopted outside Italy, even among intelligent and well-informed people, is characterised by Herr Emil Ludwig's recent book on Signor Mussolini. This book contains a series of conversations with the Duce, and judging by the questions Herr Ludwig addressed to him, he must have regarded Signor Mussolini as the most reactionary of all reactionary statesmen. In reality there is nothing further from the truth. Signor Mussolini began his political career as a Socialist, and in his heart of hearts has remained a Socialist even though he left the party after the war. He fought Communists and Socialists before his advent to power, and persecuted their leaders after his victory, not because he had turned against the working classes, but because he was convinced that his way of helping them is better than that of Communists and Socialists. Nobody can claim to understand in the least either the character of Signor Mussolini or the substance of the Fascist movement unless he realises this fundamental fact.

Ten years ago the majority of employers and employees in Italy itself were just as ignorant about the real nature of Signor Mussolini's movement as most people still are abroad. After the Fascist victory of 1922, despair reigned for a long while in the ranks of industrial labourers, while the employers of the reactionary type were rubbing their hands with satisfaction. "Mussolini is our man", they thought. "For our sake he has defeated Communism and Socialism, and his reign will be the employers' paradise." They expected him to compel the workmen, at the revolver's

point, to work endless hours for starvation wages. The workmen themselves expected something of that character. In reality, once Signor Mussolini had succeeded in consolidating his régime, he began to use his influence for the betterment of the condition of the working classes within the limits of possibility. It did not take very long for the employers to realise that, after all, he was not quite their man, and their enthusiasm in supporting the Fascist régime cooled somewhat. It took much longer for the working classes to realise that, to a very great extent, Signor Mussolini was *their* man. By the end of the tenth year of the Fascist régime they were, however, fully aware of this. The enthusiastic welcome given to Signor Mussolini by the multitude of industrial workmen in Turin and other cities, during the celebrations of the tenth anniversary of the March on Rome, in 1932, leaves no doubt that he has succeeded in restoring his friendship with the working classes. As for the employers, with very few exceptions they had to realise that, even though more often than not Signor Mussolini backed up their employees, in the long run they stood to gain through his régime. It is true that they have had to cede a larger percentage of their profits to their workmen, but the political stability and industrial peace secured by Signor Mussolini has compensated them for this disadvantage. The safety of their life and property, and the complete absence of destructive strikes, is, after all, worth for them the sacrifices they have had to make.

In ultra-individualistic countries such as Great Britain, the prohibition of strikes and lock-outs may be regarded as an intolerable interference with elementary human rights. It is, indeed, an extremely drastic form of intervention in economic activity, and is in

flagrant contradiction to the principles of individual freedom developed during the nineteenth century. And yet, early labour legislation during the industrial revolution was very drastic in dealing with strikes. The difference between that legislation and the Fascist principle forbidding industrial conflicts is that the former was applied only against workmen while the latter is applied indiscriminately against employers and employees.

Most individualists in this country who consider it unthinkable that strikes and lock-outs could ever successfully be prevented by law in Great Britain for any length of time, should remember that some centuries ago it was regarded as equally unthinkable that people should ever submit their differences to law courts instead of fighting them out between themselves. Even to-day, in some Continental countries it is regarded as incredible that English gentlemen can get on quite well without fighting occasional duels. In that respect English people have long ago abandoned their habit of resorting to force in order to make good a grievance. Why should it not be possible to abandon the use of force when it comes to differences between groups of people? The Italian example clearly shows that it is possible, and if Fascism had done nothing else than provide this example, it would in itself have been sufficient to place mankind under a great debt of gratitude.

There is nothing incredible in the achievement of bringing class war to an end. While to a great extent it is admittedly based on a genuine conflict between the interests of employers and employees, this conflict had been grossly exaggerated by the Socialist literature of the nineteenth and twentieth centuries. Politicians and

authors succeeded in convincing the working classes, and the general public as a whole, that there was an irreconcilable feud between employers and employees, and that agreement between them could only be in the nature of a truce. Nothing could possibly explain away the existence of conflicting interests between the two classes. The conflict is, however, just as keen between various other groups and categories within a nation. The interest of consumers is opposed to that of producers at least to the same extent as the interest of employees is opposed to that of employers. There is a silent but bitter feud between urban and rural populations; between the producers of goods and the providers of services; between skilled labour and unskilled labour. There is no justification for singling out the conflict between labour and capital as the sole factor that divides mankind. If producers and consumers can get on without coming to blows, there is no reason why the conflicting interests of employers and employees should be accentuated in an everlasting warfare.

In spite of the existence of the elements of a conflict between labour and capital, to a very great extent their interests are identical. Fascism is based on the realisation of this principle. Instead of trying to accentuate the differences, it has endeavoured to bring forward the points on which the interests of the two groups are identical. The aim of terminating class warfare could not possibly have been attained if the two parties had been allowed to continue to fight out their differences. Every strike or lock-out tends to accentuate these differences to the utmost.

The first step towards attaining the desired end was therefore to outlaw strikes and lock-outs, and to apply the new law with absolute impartiality. Similar measures

were introduced in isolated instances in modern history, especially during the war, for the services whose continuity was vital to the interest of the nation, and in most countries strikes are forbidden to members of the Civil Services. The Fascist régime in Italy has converted an emergency measure into a permanent and normal state of affairs, and has adopted the point of view that all producers are in the service of the State to the same extent as members of the Civil Service itself. One of the basic principles of Fascism is that production is not the private affair of the individuals who are engaged in it, whether as workmen or employers, but an affair which concerns the nation as a whole. It is on this principle that the Corporate State claims the right to intervene for the purpose of regulating production in accordance with public interest.

Intervention to regulate production by planning is merely the application of the same principle which is involved in the banning of strikes. It is the logical pursuance of the principle of intervention in every sphere where it is considered desirable. Those who believe that, in putting an end to wasteful strikes, Fascism has achieved its purpose and need not go any further towards a managed economic system, overlook the fact that to confine intervention to labour, while allowing complete freedom to capital and enterprise, would be a grave injustice to the working classes which they would hardly be likely to tolerate in the long run. It is true that the injustice is mitigated by ruling out lock-outs at the same time as strikes, but the weapon of the lock-out is employed so much less frequently than that of the strike that by its abandonment the working classes would hardly feel compensated for being deprived of the right to strike.

It is true that the prohibition of strikes existed in Italy for years before systematic intervention in economic activity was introduced by the creation of the Corporate system. The fact, however, that it has been only during the last few years that the working classes have ceased to be hostile to the new régime and have become enthusiastic supporters of Signor Mussolini, shows that they must have realised to an increasing extent the impartiality with which intervention is applied to all factors of production. Had Fascism in Italy regarded its achievement of preventing strikes as its final goal, it would have found it in the long run extremely difficult to maintain what it had achieved. Industrial peace based on brute force has very shaky foundations. While the prohibition of strikes remained a practically isolated instance of systematic intervention, the working classes had every right to regard it as a burden imposed upon them by force. As, however, the principle of intervention is gradually being applied to an increasing extent for the general regulation of economic activity, the ban on strikes has ceased to be a grievance. It has become part of a system in which both employers and employees have to submit their individual interests to the common good, and by which they all have to consent to the curtailment of their economic freedom.

The greater the progress in Italy towards a managed economic system, the less will it become necessary to uphold the ban on strikes with the aid of force and dictatorship. This is one of the reasons why the author is convinced that the trend of evolution of the Fascist economic system is towards an increasing adoption of planning. This increased curtailment of economic freedom will be accompanied by a gradual restora-

tion of political freedom. Industrial peace can only be attained, and maintained in the long run, at the price of sacrificing the freedom of economic activity which has hitherto been regarded as indispensable.

One of the main reasons why the economic system of Fascism is suitable to secure industrial peace, is that it facilitates the reduction of working hours. The increase of the amount of material goods and services of the average consumer is not the only way of improving the material welfare of mankind. It is of equal importance to obtain a reduction in the time spent on uncongenial work. Any technical improvement should, to some extent, contribute towards shortening working hours instead of merely serving the purpose of reducing the number of workmen employed. Nor is it quite fair if the benefit of shorter hours is confined exclusively to the workmen who happen to work in a particular branch of production, or even of a particular enterprise. Thanks to the Corporate system it will become possible to spread the benefit of shorter hours over larger classes of workmen. This end can be attained without bitter fights and strikes. It is not by mere accident that the proposal for the forty-hour week originated in Italy.

The tendency towards shorter working hours raises the problem of providing the working classes with suitable pastimes during their leisure hours. Otherwise, the result in the long run is demoralisation. This problem has found an excellent solution in Fascist Italy. In every district, so-called "Dopolavoro" organisations are formed with the object of providing the workmen with an opportunity for entertainment, education, and physical exercise during their spare time. There are many thousands of such organisations in Italy. They

arrange excursions, sporting events, performances and lectures, etc., for millions of workmen. This is an example which could, and should, be followed in other countries, even if they are not on a Fascist régime.

CHAPTER VII

DISTRIBUTION IN THE FASCIST STATE

WITH the establishment of industrial peace, considerable progress has been made towards preparing the ground for the right distribution of the proceeds of production. The relative participation of labour, capital, and enterprise is now being determined by amicable arrangements instead of by the application of force in the form of strikes and lock-outs. From the social point of view the significance of the change is immense. From an economic point of view it is equally important, as it is one of the preliminary conditions of lasting prosperity.

It would be a mistake, however, to believe that the termination of industrial warfare is in itself sufficient to solve the problem of distribution. After all, the United States nearly succeeded for a while in securing temporary industrial peace without in the least approaching the solution of the problem of distribution. The American attempt at eliminating class warfare consisted in paying high wages and higher wages, thereby conferring the status of bourgeois upon workmen. These high wages were, of course, passed on to consumers in the form of high prices. The cost of living in the United States rose well above that in any other country. The number of strikes and lock-outs during the prosperous period in the United States was comparatively small, and in a relative sense the country enjoyed industrial peace. But this did not in the least contribute towards the solution of the problem of

distribution, which remained unsolved in the United States, as everywhere else. The reason why industrial peace as it exists in Fascist Italy may become a stepping-stone towards a satisfactory system of distribution, is that in a managed economic system there is a good chance of solving that problem. Industrial peace in itself does not provide the desired solution, but, without it, it would be hopeless to attempt to elaborate a system of scientific distribution.

That problem is unquestionably the most difficult among all the economic problems mankind is called upon to solve. For it is comparatively easy to increase the efficiency of a system of production. In fact, on the basis of the experience of recent years one is inclined to believe that it is too easy. Owing to the new inventions which have been applied during the last few years, both agricultural and industrial production have increased with unexpected rapidity. One of the main causes of the crisis was that consumption was unable to keep pace with this spectacular increase. To a great extent this was due to lack of planning in production itself. In the absence of scientific planning on an international scale, there was nothing to prevent wheat-growers from increasing their production until it was well above the total requirements of the existing population of the globe. In a number of other branches of production a similar state of overproduction developed; as a result, producers were unable to sell a great part of their goods, and the decline in their purchasing power largely contributed to bring about the present economic depression. But badly balanced production is not in itself responsible for the whole of the decline in purchasing power. Faulty distribution is at least as much to blame.

An ideal system of distribution does not necessarily entail equal shares in the result of production. It does mean that the greatest possible number of human beings should benefit by any increase in output brought about by technical improvements. With the application of this principle the differences between the welfare of various social classes would tend to decline without our having to deprive the rich of their wealth.

Such an ideal solution could hardly be expected ever to materialise under a system based on *laissez-faire*. As a result of the application of the slogan of "everybody for himself", improvements in the technical processes of production benefit only a very small number of people. The industrial enterprise which has the good fortune to discover a cheaper process aims at retaining as much as possible of the profit obtained by the improvement. To that end it does not reduce its prices more than is absolutely indispensable for under-selling its less fortunate rivals. Once the rival has been eliminated the prices may even be raised to their old level. Nor does the enterprise increase wages or reduce working hours, so as to pass on the benefit, if not to mankind as a whole, at least to those who are employed in producing its goods. In the struggle between capital and labour under *laissez-faire*, both parties have become accustomed to drive a hard bargain. As the working classes, with the aid of their Trades Unions and political influences, squeeze the last ounce of immediate advantage out of their employers, they can hardly expect the latter to be so magnanimous as to pay them a penny more than they are compelled to pay. It is true that if the company makes good profits it is more inclined to yield to pressure for higher wages, but the extent to which wages can rise in one particular branch

in relation to those prevailing in other similar branches, is relatively moderate.

Thus by far the greater part of the proceeds of inventions and improved methods of production is retained by the enterprise, which distributes a great part of it among its shareholders in the form of increased dividends and bonuses. This results in an increase in the consuming power of a relatively small number of individuals, which is far from sufficient to pass on to mankind more than a fraction of the benefit of the inventions in question.

The above analysis refers to inventions and improved methods, in the production of non-staple products, applied by a single producer or relatively small group of producers. If the improvements cannot be monopolised by a firm or syndicate, the result is totally different. The wide application of cheaper methods of production leads in the first place to an increase in output. This is reluctantly followed by a decline in the wholesale price of the produce in question. In theory, the benefit of the improvement is thus passed on to the consumer. But in practice it is retained by those who stand between the producer and the ultimate consumer. Retail prices always lag many months behind wholesale prices. During this period the only beneficiaries of the improvement are those who buy the goods at the lower wholesale prices and sell them at their old retail prices. Here again only a relatively small number of consumers benefit by the change. As a result, the fall in the price of the product caused by the improvement in technique fails to stimulate a corresponding increase in consumption. Therein lies one of the principal causes of the crisis.

There are two ways in which the benefit of improved

methods of production can be passed on to mankind. Either they have to lead to a fall in prices, both wholesale and retail, or they have to result in a rise of wages. Under the system of *laissez-faire*, both alternatives are bound to lead to endless trouble and difficulties. If improved methods of production result in a fall in prices, this fall affects various categories of prices to a different degree, and causes thereby dislocations which lead to a crisis. As the amount of debts is rigid, even an all-round fall in prices has obvious disadvantages. Should the fall be considerable, it will lead to the ruin of debtors as well as of their creditors, as we have seen happen in the United States. The other alternative would be to allow mankind to benefit by the cheaper methods of production through a progressive increase in wages. Here, again, the *laissez-faire* system is at a grave disadvantage, for the chances are that the increase will not keep pace with the decline in the cost of production. In every section of the community wages are a matter of individual arrangement between employers' and employees' organisations. It would be indeed too much to expect any employer to agree to higher wages merely because the decline in the cost of production in general would make an increase in the spending power of the community desirable.

It has been suggested that, in order to counteract the falling tendency of prices caused by cheaper cost of production, the Government should create purchasing power by increasing the amounts spent on social services, such as unemployment benefit, old age pensions, etc. There is much to be said in favour of this suggestion from a humane point of view. From an economic point of view, however, it is open to criticism on the ground that it tends to increase the burden of taxation.

Thus the purchasing power created in one direction has to be cancelled in another direction. It appears that under the system of *laissez-faire* there can be no satisfactory solution of the problem of passing the benefit of cheaper production on to the community.

Fascism has no patent remedy which could cure this evil overnight. Unless the system of Capitalism is abandoned completely, and in addition to Communistic methods of production collectivistic methods of distribution and consumption are introduced, there is no hope of solving the problem. Nor is the solution provided by Communism altogether ideal. The complete elimination of individual initiative is calculated to reduce the efficiency of production to such an extent as to deprive mankind of the benefits of an improved system of distribution. At the one extreme there is pure Capitalism with its production stimulated to the extreme by the moving force of unhampered individual interests, and with its hopelessly inadequate system of distribution, which results in periodic crises that deprive even the privileged classes of the benefit of technical progress. At the other extreme there is Communism, with its system of distribution which approaches the ideal, and with its system of production which, while benefiting by planning, has the fatal handicap of lack of individual initiative. Between the two extremes there is Fascism, whose system of production benefits by planning, though not to the same extent as under Communism, and benefits by individual initiative, though perhaps to a somewhat less extent than in countries of *laissez-faire*, and with a system of distribution which, while inferior to that of Communism, may become infinitely superior to that of pure Capitalism.

Thanks to the immense influence of the Corporate State in every sphere of economic activity, it is possible in the Fascist State to regulate wages, salaries, wholesale and retail prices, and other items in the cost of living, in such a way as to obtain a distribution as much in accordance with the interest of mankind as is possible. Admittedly, in Italy the system has not so far attained the stage at which it could provide a test of its possibilities in this respect. The preparatory work to attain that end has, however, made good progress. Thanks to the establishment of industrial peace, wages in Italy are more elastic than in any other country. Thanks to the development of the Corporate system, prices of goods and services of all descriptions are becoming increasingly elastic. Sooner or later the Fascist régime will elaborate a method which will take advantage of the elasticity of wages and prices to pass on to the nation the full benefit obtained through any improved method of production.

It is beyond the scope of this book to discuss any concrete suggestion for the solution of the problem of distribution. To find a solution would require the assiduous research of a lifetime, not of a mere individual, but of an organisation combining within its personnel a wealth of technical knowledge as well as imagination. Yet there must be a way to prevent faulty distribution from depriving mankind of the fruits of progress. It is not a question of elaborating a formula which is to solve with one stroke the riddle of adequate distribution. Those simple minds (and those over-sophisticated minds which have reverted to simplicity) who imagine that such things are possible underrate the extreme complexity of the problem. There can be no magic formula which is to hold good once for all. The adjust-

ment of the consuming capacity of mankind to its producing capacity by means of adequate distribution requires not a dead formula, but a live organisation which by systematic adjustment of wages, prices, and working hours would be in a position to approach the desired solution without having had to discourage, for that purpose, individual initiative, which is one of the basic conditions of all technical progress. In a country whose economic system is based upon the principles of *laissez-faire* it is impossible to obtain such a result. It is only in a Fascist State, where wages and prices can be adjusted through the normal working of the Corporate system, that there can be reason to hope for the solving of the problem of prosperity. If a solution can be found at all, it can only be applied in a country where the central authority is in a position to enforce its will upon the factors that determine distribution.

It is, of course, much simpler to tackle the problem from the consumption end. This is what is being done in Soviet Russia. While there is a certain amount of freedom for consumers to choose and buy commodities, by far the greater part of consumption is regulated through a rigid system of rationing. By such means it is possible to distribute the result of productive activity on the basis of simple arithmetical calculations instead of having to work it through the highly complicated machinery of a free market. It must be admitted that no system of distribution elaborated under a Fascist régime could ever attain to such a high degree of perfection as the system worked in a Communist State.

It may well be asked, however, whether the suppression of the freedom of consumers to choose their own goods is not an excessively high price to pay for the smooth working of distribution. It certainly de-

prives mankind of some of its most valued pleasures, and reduces life to a monotony which, in the long run, is bound to produce a degenerating effect upon imagination. Those who have ever lived in boarding-houses know how depressing it is to find the same menu recurring with unmerciful regularity on the various days of the week. In a Communist State consumers are condemned to eternal boarding-house life, with the difference that it is not merely their food but also their other requirements that are met independently of their individual tastes by the application of simple arithmetical rules to the quantity of goods produced.

The rationing of products among stereotyped consumers is not, and will never be, the aim of the Fascist State. To some extent consumption may be influenced by planning, but this would be from the point of view of increasing the self-sufficiency of the country. For instance, the consumption of meat, which increased considerably after the war as a result of the tastes and habits acquired by the soldiers, was detrimental to the self-sufficiency of Italy. The official policy has aimed, therefore, at remedying this evil. To some extent cattle-breeding has been encouraged by the import of good stock, but to a greater extent the consumption of other kinds of foodstuffs has been encouraged by every possible means. As a result, the import of foreign meat has been considerably reduced. This policy is not, however, a speciality of the Fascist régime. We come across it in every protectionist country. Apart from such measures, consumption in Italy is as free as anywhere else. It will remain free even if and when the increased application of planning reduces considerably the freedom of productive activity. The problem of distribution will be tackled without affecting this freedom. A

solution will be found sooner or later through the scientific management of wages, prices, working hours, and the cost of living. Even if this solution is less efficient than the one chosen by Communism, the maintenance of the freedom of consumption will amply compensate consumers for the defects of distribution.

CHAPTER VIII

MONETARY POLICY

THE monetary system of our individualistic economic organisation is certainly far from ideal. At times of crisis its deficiencies become particularly obvious. There can be little doubt that the monetary factor has played a prominent part in bringing about the present economic crisis. Its part in prolonging the depression year after year is not, however, nearly as predominant as many people are inclined to suppose. According to one school of thought, the causes of the crisis were purely monetary, and the way out is to be found through monetary reform. The number of those who hold such views includes economists and financial experts of international reputation, as well as currency cranks and cheap demagogues. The general public, which feels that "something is wrong somewhere" and that "something ought to be done about it", is inclined to adopt the views advocated by these people. The majority firmly believe that what is wanted to restore prosperity is to increase the volume of purchasing power by multiplying the volume of currency, and that it is possible to bring about and maintain economic stability by the skilful management of currency.

But the suggested monetary solutions of the crisis are mere palliatives. They do not penetrate beneath the surface, and leave fundamental problems untouched. None of the monetary solutions suggested would bring us any nearer to solving the problem of

distribution, without which the crisis is bound to recur with increasing violence, in spite of, or perhaps because of, the monetary measures proposed. It is difficult to imagine anything more irresponsible than the suggestion of creating artificial purchasing power without troubling about first solving the problems of production and distribution. It is difficult to imagine anything more illogical than to advocate the management of currency while leaving production and distribution in its present unmanaged state. And yet there are people who regard such schemes as part of a Fascist economic system. Disgruntled currency cranks advocate Fascism in the hope that a Fascist Government would be less tied by orthodox monetary conceptions, and would be more inclined to experiment on the lines suggested. They have only to look towards Italy to realise how utterly unfounded are their hopes.

The monetary policy pursued by Signor Mussolini's régime has been strictly orthodox. In fact, it may be said that it has been too strictly orthodox. As early as 1927 the lira was stabilised on a gold exchange basis. The rate of stabilisation was calculated to rejoice the heart of the most orthodox adherent of the sound-currency-at-all-cost school. Although the idea of returning to the pre-war parity had to be discarded, the new parity of the lira was certainly fixed as high as was possible. In fact, it was fixed a good deal higher than was advisable. It required immense effort and heavy sacrifice to maintain it at its new level.

By strict measures of deflation Signor Mussolini has succeeded in maintaining the new parity throughout the crisis. When, during the chaotic days of 1931, a number of countries followed Great Britain's example in suspending the gold standard, most people expected

Italy to be amongst those countries. It was widely believed abroad that the collapse of the lira was merely a question of time. There was, indeed, every temptation for Signor Mussolini to take the easier course and yield to the pressure on the lira. The chances are that from a material point of view Italy would have benefited by allowing the lira to share the fate of sterling. The fall of internal prices during 1932 and 1933 would have been avoided, and Italian exporters would have shared the advantages enjoyed by the exporters of the sterling block. In spite of this, Signor Mussolini chose the more difficult course. In doing so he undoubtedly imposed further heavy handicaps on the development of the Fascist State, in addition to those already imposed upon it by the choice of a high level of stabilisation.

From a material point of view he was unquestionably wrong. From a moral point of view it must be admitted that he was right. In order to realise the aims and ambitions of the Corporate State, it was essential to maintain the spirit of the nation at the high standard set by Signor Mussolini's inspiring personality. Now there is no doubt that the depreciation of a currency, especially if accompanied by inflation, is demoralising in its effects, particularly in a country which has recently undergone the experience of inflation. It seems highly probable that a depreciation of the lira would have produced a discouraging effect, and this would have caused a much more severe set-back in the progress of Fascism than either a falling off in exports or a depression caused by the stability of the lira could possibly have created. A collapse of the lira would have been interpreted at home and abroad as a defeat of Fascism. In this world of ours men are judged by results. The

only visible barometer of the stability of the Italian system has been the stability of the Italian exchange. So long as the lira is stable it can always be held up as an argument to disarm pessimists at home and abroad. It is often said that the budgetary equilibrium in Italy, which was maintained until the crisis, was purely fictitious; that the deficit since the crisis was far in excess even of the considerable amounts shown by official figures; that, in reality, public works which have kept unemployment down are being financed by inflationary methods. The answer to these charges is that, were they well founded, the stability of the lira could not possibly have been maintained. The power of Signor Mussolini is great, but even he would have been unable to command the exchange to remain stable if there had been a huge budgetary deficit, and if there were inflation. Had the lira been allowed to collapse it would have provoked a chorus of triumphant "I-told-you-so"s. It would undoubtedly have undermined Signor Mussolini's immense prestige abroad, and even at home. This would have dealt a blow at the foundations of the Fascist system in Italy.

Another reason why it was to the interest of Italy to maintain the stability of the lira was the need for encouraging the accumulation of savings. Italy has always been poor in financial resources, but good progress has been made during the last few years. Indeed, she is on the way towards becoming a rentier nation. It would have been a mistake to discourage this favourable tendency through allowing the lira to depreciate.

It seems probable that the lira stands a better chance of being maintained at its present rate than the currency of almost any other country. Although her gold reserve compares unfavourably with that of

France, the United States, Holland, Switzerland, or Belgium, the lira is nevertheless at least as safe as any of those currencies. Even now that the United States has allowed her currencies to depreciate in terms of gold, there is no absolute necessity for Italy to follow her. Possibly the gold standard would survive in Italy even if France were to abandon it. If it comes to the worst, the Corporate system would enable her to bring about a substantial reduction in prices, wages, etc., overnight, by decree, which would obviate the necessity for devaluing the lira. Admittedly such a policy would be detrimental to the interests of the country, for the burden of public and private indebtedness would further increase. It would be decidedly wiser to swim with the tide and allow the lira to follow the dollar and the franc. After all, the prestige of Italy and of the Fascist system has been saved by the capacity for holding out that she has already displayed in the face of adverse pressure. If countries which are technically much stronger find it inevitable to yield to the pressure, it would not be derogatory for Italy, with her smaller financial resources, to act similarly.

We have seen that the monetary policy of the Fascist régime in Italy has been, so far, as orthodox as that of any country. A question of great interest, and of the utmost importance, is whether this orthodoxy is to remain a permanent feature of the Fascist system, or whether it is only a transitory stage in the development of the Fascist economic system. In this respect there is no official statement of policy to guide us. In the author's opinion, however, it is extremely probable that, with the consolidation of the Fascist economic system, orthodox monetary principles will be gradually relaxed.

We have said in the previous chapter that the problem of distribution can only be solved in a Fascist State by a skilful manipulation of prices, wages, working hours, etc. To render the management of these factors sufficiently elastic, it is necessary to discard rigidly orthodox monetary principles. At first sight this statement appears to be in contradiction to what was said earlier in this chapter about the attitude of Fascist Italy towards currency experiments. The Fascist State, even in its advanced stage of economic development, will not become the paradise of currency cranks. If any of the monetary reform schemes suggested by various radical economists are ever to be adopted in the Fascist State, they will have to be fitted in with the rest of the economic system. One of the worst offences of currency cranks is that they think that the world's problems can be solved by monetary conjuring tricks, and that these tricks are in themselves sufficient to cure all evils. It cannot be emphasised sufficiently that the root of our economic troubles lies much deeper, and that no permanent cure can possibly be found without tackling the problems of production and distribution. The Fascist State has set itself the gigantic task of solving those fundamental problems. It is conceivable that, even after having carried planning in production and distribution to its logical conclusion, the progress of prosperity in a Fascist State would still be handicapped by an orthodox monetary policy. In that case, and in that case only, the Fascist State would probably not hesitate to throw orthodox monetary principles overboard. There is an essential difference between the meaning of monetary radicalism as understood by our would-be currency reformers, and as it will presumably be understood in an advanced Fascist State. If, in

accordance with the advice of our monetary radicals, additional purchasing power is created under our present system, nobody can foresee how it would affect production and distribution. Quite conceivably it might stimulate overproduction in certain branches, while the release of purchasing power would cause a rise in prices in other branches. The result would be a disorganisation of production which, in the long run, would not be likely to lead to prosperity. The effect on distribution might be even worse. It would probably create classes of *nouveaux riches*, and other classes would have to pay the price.

Should, however, monetary reform be preceded by the introduction of a high degree of discipline into economic life, these evil effects would be unlikely to follow, or, at any rate, would occur in a much milder form. Instead of letting loose a cataract of inflation, trusting to our lucky stars that it will work out to the best advantage of mankind, the creation of additional monetary resources would then remain under scientific management which would keep it within well-defined boundaries. It would serve the purpose of diverting labour from branches of production where technical progress had made them superfluous, to branches of production where they might become instrumental in the creation of goods tending to increase the general welfare. Under our present system, an increase in purchasing power would undoubtedly lead to increased production without discrimination. Under a Fascist system, the forces working for an increase would be diverted into appropriate channels.

CHAPTER IX

BANKING IN THE FASCIST STATE

ONE of the most interesting aspects of the Italian Fascist experiment is its influence upon the banking system. Outwardly, there has not been any spectacular change. The banks have retained their individuality and independence. In this respect, the change brought about by the crisis has been much more pronounced in some other countries, such as for instance Germany, where the Government has acquired a controlling influence upon some of the leading commercial banks. In Italy the Government carefully avoided taking advantage of the crisis to bring under its control the banks which required its assistance. The assistance was given as freely as in any other country, but the banks remained under the control of their shareholders. This was in accordance with the fundamental economic principle of Fascism. In the Corporate State economic initiative is left in private hands; it is supplemented by State intervention only if and when private initiative is considered inadequate to serve public interests.

In Italy the leading banks have rendered valuable assistance to the development of industries, and the leaders of the new political régime saw no reason, therefore, why they should interfere with this activity. At the same time, it was found that private initiative in the sphere of banking was inadequate to meet changed requirements. For this reason, the Government considered it necessary to establish a number of

financial institutions whose task was to supplement the activities of the existing banks. This was not altogether a new departure, for in Italy the Government has been closely associated with banking for some centuries. Old-established banks such as the Banco di Napoli, the Banco di Sicilia, and the Banco di San Giorgio, had close associations with the Government. The number of State and semi-State institutions, and their relative importance in the banking system of the country, has increased, however, considerably under the Fascist régime. Some of the newly created financial institutions served special purposes. Thus, the Istituto di Credito per il Lavoro Italiano all' Estero has been created to finance Italian expansion in the Colonies and abroad. The Consorzio di Credito per le Opere Pubbliche has been established to finance public utility undertakings, and the Istituto di Credito per le Imprese di Pubblica Utilità for similar purposes. Another specialised semi-official bank is the Istituto per il Credito Navale.

A second group of official financial institutions includes those created for facilitating the work of the existing banks and their industrial and commercial customers. There is the Istituto Mobiliare Italiano, and the recently created Istituto per la Ricostruzione Industriale. Their task has been to relieve banks and other firms of their security holdings and frozen assets which would otherwise have interfered with their liquidity.

A third group of Government-controlled banks includes the various types of savings banks that are under direct or indirect Government control. The most important amongst them is the Post Office Savings Bank, which has become a strong rival of commercial banks as a collector of deposits.

It is evident that, thanks to its control over these three kinds of financial institutions, the Government's position in the banking system of the country is very strong, even though it has not acquired control of any of the commercial banks. This kind of intervention is not, however, peculiar to the Fascist economic system. We encounter similar arrangements in other countries; in fact, there is hardly any country where the influence of the Government in the banking system has not increased as a result of the crisis. Possibly in Italy the amount of Government intervention in banking as a result of the creation of new types of financial institutions is greater than in most other countries, but this in itself cannot be regarded as a characteristic influence of the Fascist system upon banking.

In addition to supplementing individual initiative when it is considered inadequate to serve the requirements of public interest, the Fascist régime aims at guiding it, both positively and negatively. Its object is to prevent private initiative from working against public interest, and to stimulate its activities in accordance with public interest. The Italian Government exerts a strong influence on banking through the intermediary of the Corporations, which has a strong influence upon the policy, activities, and attitude of all banks. It is far more than a professional association which prescribes rules of etiquette and passes resolutions whose adoption is optional for its members. The decision of the Corporation of Banks and Insurance Companies is in practice an act of legislation which is compulsory on every bank.

To give only one example of the extent to which the Corporation has been used for the regulation of banking activity in Italy, though there are no legal ex-

change restrictions, the banks observe certain rules more strictly than in any country where those rules have been enforced by law. In accordance with the decision of the Corporation, foreign exchange can only be sold for genuine trade requirements or for the payment of external indebtedness. This measure has effectively checked the outflow of Italian capital, without the Government having to resort to any legal restriction. Again, Italian banks have been forbidden by their Corporation to grant lira credits to foreigners. As a result, bear speculation in lire has been made practically impossible, without any law to that end. In theory, the restrictions are voluntary acts on the part of the bankers; after all, the Corporation which passes the resolutions consists of their own representatives. In practice, however, the Corporation has no alternative but to comply with the wishes of the authorities.

It would be, nevertheless, a mistake to regard the decisions of the Corporation as merely a peculiar form of legislation imposed upon the banks. To some extent they are in fact voluntary, for the banks themselves realise the public interest involved. If all banks were animated by a public spirit there would be no need for compulsion. But so long as some of the banks would be prepared to circumvent them, these self-imposed restrictions would place a premium on disloyalty and a penalty on loyalty. For this reason, attempts at regulating exchange restrictions by the voluntary action of banks failed in most countries. In Great Britain, for instance, during the first few days after the suspension of the gold standard on September 20, 1931, the restriction upon the transfer of British funds abroad was based on the voluntary decision of the banks. After a

few days, however, it was considered desirable to pass legislative measures. The reason why the "voluntary" decision has been sufficient in Italy is that the loyal banks have the assurance that, even in the absence of legal sanctions, disloyalty will be prevented and punished. For example, the export of Italian bank-notes in large amounts is contrary to the regulations established by the Corporation of Banks. In 1932 a partner in a small private banking firm was caught at the frontier trying to take with him many millions of lire in bank-notes. As there was no law against the act, the amount was not confiscated by the authorities, but its export was prevented. The banker was not tried for the offence—which technically was not an indictable act—but, for "crime against the Fascist régime", he was confined to a certain town (not the seat of his bank) and was fined heavily. Such cases are, however, extremely rare, not only because of the severity with which they are dealt with even in the absence of legislation, but also because the fact that banks are not placed at a disadvantage by their loyalty encourages the development of a genuinely loyal spirit. It is not merely the fear of punishment that prevents a great majority of bankers from disregarding the decision of their Corporation, but also the knowledge that their rivals will observe the same rules.

The influence of the authorities upon banks in Italy is not confined to the enforcement of technical regulations; it extends to the sphere of fundamental banking policy. Although the banks are not nationalised, in practice the Government has a power over them which could hardly be greater if they were. This does not mean that their attitude towards individual customers and individual transactions is subject to Government

interference. In this respect the freedom of Italian banks is as great as that of the banks in any country. It is considerably greater than in the case of the Government-controlled banks in Germany. It will be remembered that Herr Hugenberg, the Minister of Economy in the Government of Herr Hitler, after displaying a militant opposition to the Government of Dr. Brüning for some time, became in 1932 rather passive. The story goes that the group of industrial enterprises he controls owed large amounts to the Darmstaedter und Nationalbank; that bank came under Government control, and the then Government was in a position to "silence" Herr Hugenberg by the threat of pressing for the repayment of his bank credits. Such cases are not known in Italy. The banks are left to decide for themselves whether they will grant or refuse credit to their customers.

Government intervention in Fascist Italy has a different aim. Its object is to secure the better utilisation of the available banking resources. To that end, the authorities use their influence in a truly dictatorial spirit, and banks are sometimes compelled to pursue a policy that may be entirely against the principles in which they have been brought up.

One of the most characteristic examples of Government intervention to which the banks submitted only with reluctance was the bolstering up of the price of banking, industrial, and commercial shares in the Bourse. When in the earlier stages of the crisis the decline of share prices began to cause uneasiness among the public, Signor Mussolini ordered the banks to support the market in their own shares as well as in the shares of those companies with whose financing they were concerned. As the adverse trend in the share

market proved to be of a more lasting nature than was anticipated, the result of this action has been that, through the intermediary of their affiliates, the leading banks have become their own principal shareholders, as well as the principal shareholders in a large number of industrial and commercial undertakings. Needless to say, bankers themselves have viewed this development with growing concern, and have missed no opportunity to point out to the authorities the disadvantages and dangers of immobilising their resources in such a manner. But Signor Mussolini remained adamant, and the banks had no choice but to continue their purchases. Their only comfort was the assurance that, should it become necessary, they could rely upon prompt and effective official support.

So long as everything went smoothly there was no need for any exceptional measures. The amounts spent on share purchases came back to the banks, directly or indirectly in the forms of deposits, and the process practically financed itself. The banks were nevertheless under the permanent threat of a possible wholesale withdrawal of deposits.

Although several of the smaller and medium-sized banks had to be assisted during the earlier stages of the crisis, it was not until the beginning of 1931 that an emergency of a more serious nature threatened to arise. As a result of a rather mischievous article written by Signor Mario Alberti, then one of the leading directors of the Credito Italiano, attacking his fellow-directors—which article was subsequently circulated in Italy and abroad in pamphlet form—there were signs of a run on several branches of that bank. Prompt action was, however, forthcoming to counteract the evil. Although prior to that incident Signor Alberti had

been *persona grata* in Rome, he did not escape his well-deserved punishment; he was summarily dismissed and deprived of all his directorships, and the bad effect of his article was allayed by the public announcement of Signor Mussolini's approval of the attacked directors by conferring upon them high decorations. At the same time, arrangements were made to relieve the Credito Italiano of its excessive security holdings, which were transferred to holding companies financed largely out of official resources.

When during the second half of 1931 the financial crisis became aggravated it was considered advisable to take a further and even more important step towards placing the Italian banking situation on sounder foundations. It was an open secret that the security holdings of the largest bank, the Banca Commerciale Italiana, amounted to milliards of lire. Although the depositors trusted the bank implicitly, it was duly realised in Rome that it was not advisable to put their confidence to a too severe test by allowing this situation to continue in the midst of a grave international crisis. Thus, before any actual necessity for support could have arisen, arrangements were made to relieve the bank of its huge shareholdings. To that end, the Istituto Mobiliare Italiano—to which reference was made above—was created, and was provided with adequate resources to carry out the gigantic transaction. Although to some extent the operation resulted in an increase of the liquid resources of the bank, it largely led to the replacement of the shares by Government securities. As a result of the clearing up of the banks, the Government-controlled company has become the shareholder of most leading industrial undertakings of the country. This state of affairs should not,

however, be interpreted as a disguised form of nationalisation. The Government does not intend to retain a financial control, however indirect, over private enterprise. It intends to carry the shares until a revival of public demand for them enables the holding company to place them on the market.

The lesson was learnt from this experiment that it was not advisable to use the resources of the commercial banks for the purpose of carrying industrial shares. With the establishment of the new semi-official financial institutions, the Fascist Government is now able to pursue its policy without having to involve the banks. The new institutions are issuing Government-guaranteed bonds, so that the whole process really amounts to relieving investors of their holdings of equities at a time when they are unwilling to hold them, and replacing the holdings—either directly or through the intermediary of banks—by Government securities which at a time of crisis command more confidence.

The resources of the banks, thus released from their enforced immobilisation, were not, however, allowed to lie idle. In the absence of an adequate commercial demand for credit, the banks were required to employ their surplus funds for the financing of the extensive public works undertaken by the Fascist Government. In Chapter V. we described the ambitious programme of the Fascist Government, embracing marsh-draining, electrification, land fertilising, etc. They have been carried out on a much larger scale than in any other country endeavouring to provide relief for the unemployed. The predominant part of these public works, such as land-reclaiming, for instance, is productive and self-liquidating. They have been largely financed by the

issue of Government or Government-guaranteed bonds, redeemable mostly between twelve and twenty-five years. As the public demand for these securities was not sufficient, the resources of the Savings Banks and to some extent of the commercial banks have been employed to carry them.

The idea of immobilising the resources of banks and savings banks in long-term Government bonds may appear shocking at first sight. It ought to be borne in mind, however, that Italy is by no means the only country where banks are coaxed by the Government into such lapses from orthodox principles. In almost every country banks have had to take a share in carrying their weaker rivals, and in addition they have had to finance their Governments. Although both Great Britain and the United States are Parliamentary and democratic countries where the freedom of individuals and banks to employ their funds as they choose is not interfered with by dictatorship, in both countries banks were persuaded by the Government to increase their holdings of Government bonds; in England this was in order to facilitate conversion operations, while in the United States it was to meet a budgetary deficit. For the latter reason, French banks had to invest their idle reserves in Government securities. It is also an official fact that the Caisse de Dépôts et de Consignations, which manages the funds of the French savings banks, invests by far the greater part of its resources in Government securities. In the circumstances, he who has succeeded in maintaining the classical principles of sound banking liquidity intact throughout the crisis should throw the first stone at Italy.

Moreover, as the crisis has thrown into the melting-pot many time-honoured principles and doctrines, it is

perhaps permissible to raise the question whether, after all, our pre-crisis rules about liquidity were not based on fictitious notions. If there was a run on one bank—whether it was in Italy or England or the United States—it could easily be helped. Should there ever be a general run on all banks, in no matter which country, even the highest degree of liquidity would not save them; they could only be saved by the authorities either by the declaration of a moratorium or by inflation. In this respect there is no difference between the banking situation in Italy and in other countries. Everybody is well aware that the leading banks, whose resources have been “commandeered” for the financing of public works, would receive all the support that is wanted in case of emergency. That being the case, there is no anxiety in the minds of depositors, and there is no reason why emergency should arise.

In fact, owing to the existence of dictatorship, Italian banks are better safeguarded against panics than the banks of democratic countries, with their free Press, Senate Inquiry Committees, and the general right of anyone to make mischief within the limits of the law. In Italy any rumour-monger politician or journalist would be summarily dealt with. The case of Signor Alberti shows that even those in high positions have to pay the penalty of action against the public interest, even if there is no letter in the law against it. In democratic countries banking may be made the whipping-post of party politics, and demagogic attacks on banks during electoral campaigns may easily stir up a wave of distrust among the public. Such things cannot occur in Fascist Italy. There anyone who attempted to undermine confidence in the banks, whether from the platform or through “whispering campaigns” would soon

find himself on the Lipari Island or in an even worse place.

By the fact that the resources of the banks are used for the purpose of financing public works, the deposits with the leading banks have become, in fact if not in law, Government-guaranteed. It may be said that this state of affairs differs but little from the complete nationalisation of the banks. In reality, there is a substantial difference in favour of the Fascist system. It is to be assumed that, once banks were nationalised in a country, the whole system would be centralised and all overlapping activity eliminated. This might be useful from the point of view of reducing overhead charges, though after a certain point the disadvantages caused by the size of the organisation would more than outweigh such economies. In addition, Government monopoly of credit would be highly detrimental to individual initiative in economic life. In most cases, the opinion of one particular bank official would make it impossible for anyone ever to obtain credit for financing his scheme. As it is, in countries where banking is in private hands, the applicant may try a number of rival banks, and if they all reject his scheme the chances are that something must be wrong with it. If it is a good scheme, one or other of the rival banks is likely to appreciate it. This holds good also in Fascist Italy. The Fascist economic system does not eliminate sound competition amongst banks, which is all to the good of economic development.

Lastly, the Italian system may be criticised on the ground that, as the Government is practically responsible for the liabilities of the banks the latter may be encouraged to embark upon speculative ventures, for if these ventures succeed it is the banks' profit while if

they fail the banks can always fall back upon the Government. This argument may have some convincing force in other countries where the Government assists the banks extensively, but it does not apply in Italy. Under the Fascist régime mistakes made by leaders of banks and captains of industry are treated as unpardonable. In most countries the heads of banks and companies may lose other people's money with impunity so long as they keep within the law. Having ruined their banks they may retire to private life as millionaires. Not so in Italy. Signor Mussolini rarely forgives failures, even if they occur through no fault of the directors concerned.

In one case, the story goes, the heads of a well-known bank, which suffered heavy losses and immobilised its resources, were summoned to the Palazzo Venezia. On being admitted to Signor Mussolini, he told them: "Gentlemen, I accept your resignations". That was all. In many cases the Duce does not even deem it necessary to communicate his decision to the directors concerned; they learn of it next day from the newspapers, where it will be reported that their resignations were tendered and accepted.

If gross negligence or bad faith contributed to bring about the failure, those responsible are dealt with much more severely, even if they are innocent in the eyes of the Law. "Crime against the Fascist régime" is a vague and elastic notion. It bears some resemblance to "Sabotage of the Five Years' Plan" in Soviet Russia. The difference is that in Italy its penalty is not capital punishment, but at worst confinement to the Lipari Island. Even so, the responsibility of directors is certainly not a meaningless phrase in Italy. The chances are, therefore, that, in spite of their knowledge that if

necessary they can rely upon unlimited official support, Italian bankers will be at least as careful as their colleagues in foreign countries where it is the shareholders and depositors who have to pay the penalty for their mistakes.

The progress of the penetration of the corporate spirit in the sphere of banking—as in every other sphere of economic activity—enables the Italian Government gradually to relax its firm grip. While some years ago banks were simply ordered to finance this or that particular undertaking, to-day the authorities are open to argument, and in many cases they allow themselves to be convinced by the banks that the latter are right in maintaining that they cannot undertake the transaction in question without disadvantages to themselves and to public interests. The very fact that the banks are more public spirited than they were lends to their arguments additional strength in the eyes of the Fascist authorities. As in other spheres of business activity, it is no longer a case of commanding and obeying, but of coming to an understanding in accordance with general interests.

The experience of banking under the Fascist régime in Italy shows that it is possible to break the rigid orthodoxy of banks and to influence their activity without having to resort to the extreme solution of nationalising them. In this case, as in the case of monetary policy, scientific planning should not be an isolated act but should be part of a general scheme of intervention to regulate production and distribution. To suggest that banks in a country with an economic system based on *laissez-faire* should be brought under stricter control and compelled to embark upon extensive new financing is absurd so long as production and

distribution are allowed to carry on in their present haphazard way. If and when scientific planning is introduced in the sphere of production and distribution, then, and only then, is it justifiable to expect banks to play their part in the new system. But to single them out among all branches of economic activity and compel them to finance an expansion of production without knowing whether expansion in that particular direction is justified is scientifically inconsistent and is an irresponsible policy.

CHAPTER X

INTERNATIONAL RELATIONS OF THE FASCIST STATE

ACCORDING to popular belief, the attitude of the Fascist State towards foreign countries is necessarily characterised by a most aggressive nationalism. In the political field this nationalism manifests itself in sword-rattling that is a menace to international peace; in the economic field, in ultra-protectionism; and it aims at as complete an economic isolation as possible. Most people firmly believe that this type of aggressive nationalism is the principal characteristic of Fascism.

Like many other popular conceptions of the meaning of Fascism, this is also gross exaggeration as far as Italy is concerned. In other countries where the Fascist movement follows different lines, its nationalistic character is so much in evidence as to make the whole movement appear to be substantially identical with extreme jingoism. Even in Italy it would be idle to deny that the Fascist régime is characterised by a strong nationalism aiming at safeguarding the interest and prestige of Italy by methods which are at times decidedly drastic. But it would be a mistake to regard this nationalism as the most important characteristic of Italian Fascism. It is, indeed, merely a means to an end. Signor Mussolini could not possibly have aroused the Roman spirit in the Italian nation if he had not played upon its nationalistic sentiments. The object of arousing the spirit of the nation was not, however, to

embroil it in a war with its neighbours, whether in the political or in the economic field. It was to create the right mentality for the adoption of the Corporate system.

Only by appealing to their nationalistic sentiments could the Italian masses be induced to submit in the long run to the inevitable curtailment of their economic freedom, and to co-operate whole-heartedly by means of the Corporations. A supreme patriotism had to be aroused in order to suppress or moderate the selfishness ingrained in the mind of a generation brought up on the gospel of nineteenth-century Liberalism. It would be indeed difficult to induce employers and employees, rural and urban populations, Northern and Southern interests, producers of raw materials, semi-products, and finished goods, to see and appreciate each other's point of view otherwise than by arousing their patriotism.

Italy's neighbours have naturally regarded the revival of nationalism as a menace to their own security. Indeed, to keep the spirit, once roused, within constructive fields, and to prevent it from becoming a destructive force in international relations, has required all the strength and statesmanship of Signor Mussolini. But he has been so far successful, and there is no reason to believe that it will be otherwise in the future. Under his guidance the energy of nationalism has been diverted into productive channels and maintained there.

So much for the political nationalism of Fascist Italy. Its economic nationalism does not appear to be more excessive than the nationalism of many other countries since the war. It is true that Italy has become more protectionist than she has ever been before,

but what nation has not? It is true that State intervention to stimulate agricultural production has been carried very far in Italy. Agricultural countries have, however, no right to complain if Italy and other industrial countries have endeavoured to replace their products by national products. After all, it was the agricultural countries which began the process by aiming at the creation and development of industries to compete with the manufacturing countries. Finding it difficult to sell as much abroad as before the war, Italy had to reduce her imports. In addition, she was driven to increase artificially her agricultural production by the restrictions on immigration introduced in the United States and other countries. As those countries were no longer prepared to absorb the surplus Italian population, it had to be provided for by creating new possibilities at home. The development of agricultural production was eminently suitable for this purpose, as, apart from securing the living of the surplus population, it also compensated the Italian balance of payments for the falling off in emigrants' remittances which, in the past, largely paid for the imported agricultural products.

The manifestation of Fascist nationalism in Italy in the sphere of agricultural production has a further advantage from the European standpoint. It has provided a lightning-conductor that has diverted surplus energy into constructive channels. Owing to the restrictions imposed in many countries on immigration, Italy might have been tempted to follow the example of other countries by creating an outlet for her population through armed conquest abroad. Instead of conquering the land of other nations, the Fascist Government has conquered land within Italy

itself. Instead of waging war against another group of human beings, Italy has been waging war against the common enemies of mankind when converting useless and unhealthy marshes into habitable and productive territories.

It is often pointed out that Fascist Italy is remarkably quick in retaliating for any restrictions placed by foreign countries upon her exports. This can, however, hardly be regarded as aggressive economic nationalism. Except for Great Britain, hardly any country has carried tolerance so far as to allow its export trade to be victimised by foreign import duties, exchange restrictions, etc., without retaliating.

It is difficult to see whether or not the final aim of the economic nationalism of Fascist Italy is to secure the economic independence of Italy from the rest of the world. In this respect the development of her policy depends largely upon the trend of evolution abroad. Should planning be adopted in foreign countries to the same extent as in Italy, it would provide an excellent basis for the negotiation of agreements based on reciprocity. It would make it possible to plan on an international scale, instead of merely on a national scale. Should, however, other countries remain in their present state of economic anarchy, Fascist Italy, and any other Fascist States that may be created on the Italian pattern, would be compelled to reduce the connecting links between their economic systems and those of the non-Fascist countries, so as to minimise outside interference with their progress.

One of the most important aims of planning is the reduction of working hours. Given our present state of economic interdependence, no country can afford to go very far in that direction unless its rivals do the

same. As things are, even if technical progress, coupled with the working of the Corporate system, should enable Italy to reduce the working hours to forty or even thirty a week, she would be prevented from doing so by international considerations. As employers and employees in other countries are unable to come to terms about the reduction, Italy would place herself at a grave disadvantage in international competition by her isolated action. Notwithstanding all the restrictions placed in the way of international trade, she is not yet sufficiently independent of the rest of the world to be able to reduce working hours below those of other countries.

We have arrived at a stage of economic development at which international trade, far from contributing towards the improvement of human welfare, has become one of its obstacles. It is a commonplace of economic text-books that international trade tends to raise the standard of living of all the countries concerned. According to the time-honoured formula, if A produces wheat cheaper than B, and B produces machinery cheaper than A, it is to the interest of both countries to exchange their products, as by such means A can obtain machinery almost as cheaply as B, and B can obtain wheat almost as cheaply as A. The advantages of the interchange of goods are too obvious to be contested. They are, however, outweighed by the disadvantages of the system if, as a result of the maintenance of close international commercial intercourse, one or other of the two countries is prevented from reducing its working hours. Should that be the case, it may be said without hesitation that international trade has to be sacrificed.

There can be, of course, no question of any country

ever becoming entirely self-sufficient. It would be absurd to try to eliminate imports altogether by producing rubber in hothouses. But it is possible to cut out the import of goods which can be produced at home, even if their cost of production is higher, and their quality inferior, to those produced abroad. International trade would then be reduced to indispensable necessities, and its volume would not be sufficiently large to interfere with the Fascist State if it wished to make such reductions in working hours as it reasonably could.

It is to be feared that unless a large number of important countries introduce planned economic systems, Italy and other Fascist countries will have to pursue such a nationalist economic policy. The isolation of the Fascist State from other countries would have, from a scientific point of view, the immense advantage of removing many factors which are calculated to vitiate the results of this most interesting experiment. From a practical point of view the disadvantages of isolation are not nearly as heavy as Liberal economists would like us to believe. It is true that a large part of the goods produced in a State which isolates itself economically would be produced in relatively unfavourable circumstances and at a comparatively high cost. Until recently we could have ill afforded such an expensive luxury. At present, however, thanks to technical progress and improved efficiency methods, we can well afford to spend more human labour on certain categories of commodities. This will be increasingly the case in future. In a Corporate State technical progress will not be a dreaded danger which threatens to deprive millions of workmen of their living, and which threatens periodically to

unbalance the economic system. It will be an immense blessing to mankind, which will be enabled to obtain from it the maximum benefit at the minimum of risk and sacrifice. To that end it is well worth while to put up with the disadvantages of a high degree of economic isolation.

Under a system of *laissez-faire*, the commercial interdependence of nations tends to strengthen the factors working towards the inevitable periodic crises. In fact, the increase of interdependence has been largely responsible for rendering the world's economic system more and more vulnerable. If lack of planning results in a crisis in no matter what part of the world, it is bound to affect the welfare of the rest of the world. No wonder every nation seeks to loosen its commercial links with other nations. It is bad enough to be exposed to crises as a result of lack of planning at home. Nations will become increasingly unwilling to put up also with shocks administered to them as a result of lack of planning in some remote part of the world.

Once a sufficiently large number of countries have adopted the Corporate system, or any other system of planning which may prove practicable, it will be relatively easy to come to an understanding between them in the economic sphere. The basic principles of Fascism, co-operation between conflicting interests for the common good, need not be confined within the borders of any one particular country. Once economic discipline has been established within a country, and the spirit of working in close collaboration with conflicting interests has penetrated through and through the national mentality, it should be relatively easy to apply the same principles in international relations. For this reason economic isolation should only be

regarded as a transitory stage in the progress of Fascism. In the course of time it will be possible to establish closer economic co-operation between Fascist States than has ever existed, or could ever exist, between economic units whose system was based on the principle of *laissez-faire*.

In order to restore the free international interchange of goods it is necessary first to establish planning on an international scale. This should be the ultimate end of the Fascist economic system. When this stage is attained, the advantages of an international division of labour, temporarily dispensed with during earlier stages of the evolution of Fascism, will be added to those of scientific planning.

CHAPTER XI

FASCISM AND SOCIALISM

IN the foregoing chapters we have tried to give an account of the progress made in Italy towards the establishment of a Fascist economic system. We have also tried to interpret the somewhat vague objects of the movement, and to forecast its future development. There is one particular feature of the Fascist economic system which could not escape the attention of the careful reader, that is, the striking similarity between Fascism and Socialism. While politically a world separates the two camps, economically their aims are identical to a surprisingly great extent, even though their means to attain their end may differ.

In the sphere of production both Fascism and Socialism aim at planning. From that point of view their interests are identical, and their common foes are the remaining adherents of *laissez-faire*. They seek to attain their end by different means. Socialism hopes to achieve planning by the nationalisation of the most important branches of production. Fascism aims at planning by a combination of dictatorship and voluntary co-operation, without changing the private ownership of the means of production. Socialism hopes to be able to dispense with the driving force of individual initiative. Fascism regards that driving force as indispensable as far as production is concerned, but it endeavours to curtail and supplement individual initiative in accordance with public interest. From

this point of view, again, Fascism is nearer to Socialism than to *laissez-faire* with its principle of unhampered individual initiative.

In the sphere of distribution both Fascism and Socialism aim at a more equitable division of the proceeds of production. The difference between Fascism and Socialism in this respect is merely one of degree. Socialism, carried to its logical conclusion as Communism, aims at complete equality of incomes; Fascism does not contemplate going so far. While endeavouring to secure for the working classes their fair share of the proceeds of production, Fascism wishes to retain the benefits of the incentive to individualistic production represented by profit-earning possibilities. It aims at preventing the earning of excessive profits at the expense of the working classes. It is difficult to say how far Fascism can go in this direction without paralysing the factor of individualism. The limit will tend to expand as and when the spirit of Fascism penetrates into the mind of a nation. While at present a fairly substantial difference in incomes has to be allowed to remain in existence for the sake of the advantages of individual initiative, at later stages the discrepancy between maximum and minimum incomes may be reduced to some extent without detriment to the efficiency of production. Moreover, thanks to this efficiency the Fascist State will be able to raise the standard of living of the working classes until the remaining differences of income may become of relatively small importance. Thus, the difference between the aims of Socialism and those of Fascism is much smaller than is generally assumed. Fascism can be regarded as a compromise between pure individualistic Capitalism and Socialism,

but is decidedly nearer to the latter than to the former. Their common enemy is *laissez-faire*, against which both movements have to fight.

As regards industrial relations there is, on the surface, a considerable difference between the aims of Socialism and those of Fascism. The former is determined to wage a class war until the class of employers is eliminated. The latter seeks to secure the welfare of the working classes by peaceful means, through the establishment of mutual understanding between employers and employees. In practice, the difference has proved to be more apparent than real. In the Communist State, where the Government is practically the only large employer, relations between employer and employed are governed by substantially the same principles as in the Fascist State. Under both systems strikes are outlawed and production is treated as a public service. In this respect both Socialism and Fascism differ fundamentally from *laissez-faire*, under which system the right to strike and to lock-out are regarded as sacred and production is considered the private affair of those engaged in it.

The sphere in which the similarity between the aims of Socialism and those of Fascism is most striking, is that of banking and finance. It is true that the Fascist State does not aim at the nationalisation of banks, which has become a fundamental point in the Socialist programme. In reality, however, banks in Fascist Italy are to all intents and purposes practically nationalised. We have seen, in Chapter IX., that in Italy the control of the Government upon banking is very great indeed. Without actually nationalising the banks, the Government is in a position to influence their policy to the same extent as if they were nationalised. It can

commandeer their resources for financing enterprises which they would not otherwise finance. The position in Italy in this respect is, in fact, the materialisation of the dreams of Socialists abroad. As regards investment, Fascism in Italy has secured a control over the flow of funds which could not be more complete under a Socialist Government. At the time of the depression, when the public was anxious to withdraw its capital from industrial shares, the Government stepped into their place as the provisional holder of the unwanted shares, either directly or through the intermediary of banks or holding companies. The funds of the public thus released were attracted by the Government, or by the banks and savings banks, in the form of deposits and the acquisition of Government, or Government guaranteed, bonds. When the tide turns, and the demand for industrial shares revives, the Government, directly or indirectly, will place its holdings with the public and relieve the latter of its fixed interest-bearing securities. It thus performs the functions of the Investment Board advocated by Socialists. As for monetary policy, in the immediate future, Fascism is likely to remain more orthodox than would Socialism in its place, but in the long run the difference should gradually disappear, as we tried to indicate in Chapter VIII. In this respect once again the arch-enemy both Socialism and Fascism have to cope with is economic Liberalism.

It is thus evident that the aims of Fascism and of Socialism are to a very great extent identical. In fact, it may be said without exaggeration that what is happening in Italy to-day, in the economic sphere, is substantially what would happen under a Socialist Government that was free from electioneering considerations. To a very great extent Fascism is Social-

ism. Yet in the political sphere Fascists and Socialists fight each other desperately without realising that the difference between their respective aims is less than between the aims of either and those of the *laissez-faire* school.

The Socialistic tendencies of Fascism ought to be duly realised both by the adherents and opponents of the movement. Ignorance of the fact that Fascism is substantially Socialism has led in Germany to one of the most remarkable tragi-comedies of history. Had President Hindenburg and Herr Hugenberg realised the radical character of the National Socialist movement they would have opposed it to the utmost instead of helping it to assume power.

CHAPTER XII

THE CRISIS AND THE WAY OUT

It is beyond doubt that the adoption of a Fascist economic system has worked for the advantage of Italy. The question is whether countries outside Italy could benefit by the lessons of the Italian experiment. We are going through a crisis which is the worst experienced in modern times. At the time of writing there appear to be some signs of recovery, but the tendency is uncertain, and may at any moment be followed by a relapse. But even if the improvement proves to be of a lasting nature, those who can see beyond the immediate future have no reason to rejoice. As the recovery takes place in the absence of planning, it is certain to be followed by another crisis a few years hence.

Possibly some international agreement may eventually be reached. Some devices may perhaps be elaborated to attempt to bring about a rise in prices, a reduction of unemployment (by public works or other indirect subsidies), and possibly a better distribution of gold, etc. It is almost certain that the fundamental problems of production and distribution, without the solution of which there can be no lasting prosperity, will not be touched upon. This is only natural, for it would take years before any reasonable measure of agreement could be reached even within one particular country on a scheme embodying the solution of these fundamental problems, while an international agree-

ment seems at present impossible. It would have to come gradually, through years of preparation. As in the meantime the depression might go from bad to worse, it is tempting to apply quick remedies, even though they are far from being the best. This is in accordance with the medical practice of administering drugs to patients who suffer from unbearable pain. Even if the injection does not in the least dispose of the cause of the pain, it provides a respite during which some better remedy may possibly be applied. The raising of prices by artificial means plays the same part in the life of mankind as the drugs play in the life of the patient. Its effect is bound to be temporary. Although it does not eliminate the cause of the trouble, it would provide the world with a breathing space during which something better could, and should, be thought out.

It is of the utmost importance that, when applying the palliatives which are to bring about the much-needed respite, everybody should realise the essentially temporary nature of their effect. It would be short-sighted to believe that merely by placing, in some form or other, additional purchasing power at the disposal of consumers, a millennium of everlasting prosperity can be attained. And yet innumerable people are inclined to take such a view. The moment an improvement has set in, most people will think that it will go on for ever. Such an initial optimism is doubtless pardonable, and even desirable, as far as the general public is concerned. It will help to accelerate the improvement, which might otherwise be very slow. It would be unpardonable, however, if economists and responsible statesmen were to deceive themselves about the lasting nature of the improvement. They

ought to realise that, under the existing system of production and distribution, the crisis is bound to recur. Instead of resting on their dubious laurels, it should be their duty to tackle the fundamental problems the solution of which is necessary if a recurrence of the crisis is to be prevented.

The additional purchasing power that may be placed at the disposal of consumers is calculated to lead to an increase of productive activity, and to a rising trend of prices. In many respects it will have an effect similar to the additional artificial purchasing power created during the war. If things are allowed to take care of themselves, the ultimate effects of this deliberate policy of inflation will also be similar to those of war and post-war inflation. The stimulating effect of increased demand and rising prices will result in overproduction in many branches. Unless some measure of planning is introduced, the recovery will culminate in a boom, which, again, will inevitably be followed by a slump. It is of the utmost importance that the effect of the recovery upon various spheres of economic life should be kept under control. To that end the Corporate economic system would provide excellent means.

It is now beyond doubt that the dislocations in the world's economic system were largely responsible for the crisis, and that the main difficulty in the way of a recovery is the slowness of the process of readjustment. The lack of uniformity in the scale of progress in various branches of production, the difficulty of adjusting retail prices and other items of the cost of living, as well as wages, to the changed level of wholesale prices, the discrepancy between various groups of prices, have played a prominent part in causing and

prolonging the economic depression. With the aid of the organisation of the Corporate State it would be incomparably easier to attain the desired readjustments than under the system of *laissez-faire*. If things are allowed to take care of themselves some of the dislocations may, it is true, in the long run smooth themselves out, but the chances are that other dislocations will be created. To avoid this it is necessary to organise the recovery systematically, instead of allowing it to take place in a haphazard way. An artificial demand for manufactured goods would only widen the gap between their prices and those of agricultural products. It is essential that measures should be taken to reduce the discrepancy between the two categories of prices. It would be much easier to carry out this and similar tasks with the aid of the Corporate system.

In its desperate search for a way out mankind may conceivably tumble upon the right solution by adopting an economic system based on planning. It is possible, however, that some countries will fight against this solution and will do their utmost to get over their difficulties without abandoning *laissez-faire*. Conceivably their efforts may result in some initial success. It is possible that, thanks to an increase in world prices, they may recover. This might lead people to conclude that it is, after all, possible to retain *laissez-faire*. This would be most unfortunate, for it would deprive the world of the benefits of the lesson taught by the crisis for which it has paid so high a price. It would become inevitable to have another lesson in the form of another crisis, possibly even more violent and destructive than the present one. Taking a long view, recovery attained

without tackling fundamental problems, would be a worse evil than the prolongation of the crisis.

During the last few years, the disadvantages of the economic system of *laissez-faire* have become only too painfully obvious. While at earlier stages of technical development and economic expansion it may have to some extent contributed towards progress, a stage has been reached when it has ceased to be beneficial, and has, in fact, become the cause of one of the most severe economic set-backs in history. It is now evident that, under the system of *laissez-faire*, progress can only be attained at the cost of periodical relapses. Admittedly, there is nothing fundamentally new in this; throughout the nineteenth century progress had been interrupted by periodic crises. Liberal economists may be right in claiming that, on balance, it was worth while to put up with the sufferings of the crises, for notwithstanding them the wealth and welfare of mankind increased. An even and well-regulated progress would probably have been slower than the progress caused by the feverish boom activity which has always preceded and succeeded the slumps, especially as the slumps usually destroyed only fictitious values, and left untouched the bulk of the real wealth created during the boom.

A stage has now been reached, however, when mankind cannot afford any longer, either politically or economically, to put up with the set-backs which have to be regarded as the integral parts of the *laissez-faire* system. With the acceleration of technical progress, these set-backs are calculated to increase in severity. Any substantial fall of prices caused by a reduction in the cost of production is bound to disorganise hopelessly the whole of any economic system that is based

on *laissez-faire*. Liberal economists, when confronted with the dilemma as to whether a fall in the cost of production should lead to a decline of prices, an increase of wages, or to a reduction of working hours, usually take up a negative attitude by rejecting either solution, without being able to make any alternative constructive suggestion. The remedies they suggest are usually feeble palliatives which do not touch the root of the problem.

Sooner or later the world will realise that, in present-day conditions, the cost of the *laissez-faire* system exceeds its benefits; that its losses through the cyclic crises are heavier than its profit during the booms; and that there can be no lasting recovery without a radical change of the economic system.

The question is not merely how to find a way out of the present crisis, but how to do away altogether with a system in which the recurrence of such crises is inevitable. Only by scientific planning can cyclic crises be avoided; and it is within the framework of the Corporate State that efficient scientific planning on a capitalistic basis can be conciliated in the most favourable conditions with individual initiative.

CHAPTER XIII

THE FUTURE OF FASCISM

THE developments of the last few years have thrown into the melting-pot the political and economic systems of the world, which, until recently, were considered to be firmly established. The system of Parliamentary democracy which, before the war, had come to be regarded as the ideal system for civilised nations, has lost much of its popularity. In many countries it has resulted in a complete political deadlock, and has interfered with the efficiency of the economic organisation. In the economic sphere, individualist capitalism, based upon the principle of *laissez-faire*, has proved to be inadequate to cope with changed requirements.

One of the results of the present crisis is that it has exploded the myth of the superman in industry and finance. The great entrepreneurs, who, according to the teachings of Saint-Simonism, should be made kings of the universe, have proved themselves utterly incapable of running their affairs without State guidance. In most cases, this was not due to any fault of their own. It would have been, indeed, too much to expect them to see beyond the narrow circle with which they were directly concerned. Their duty was to run their own enterprises successfully. In pursuing particular interests, they disregarded general interests, and this was bound to avenge itself in the long run. Great captains of industry and super-bankers in many countries have come to depend on Government support for their very

existence. It is not surprising that, in such circumstances, private enterprise and individual initiative should be at a discount.

Two alternatives to the old political and economic organisations have emerged from the post-war chaos. On the one hand there is the dictatorship of the proletariat, aiming at the establishment of Communism. On the other hand there is Fascist dictatorship, aiming at the establishment of the Corporate State. There are a number of adherents to both systems in almost every country, but in most countries the number of those who deliberately advocate the abandonment of the old system is relatively small. Human nature is inclined to conservatism and passivity. Many people are inclined to underestimate the significance of the signs showing that the trend of evolution is moving towards a change in the existing system. They regard Communism as the terrorist rule of a gang of criminals, which no other country except Russia would ever tolerate. If they take any notice of Fascism at all, they regard it as an individual dictatorship in one particular country, the personal affair of Signor Mussolini, which concerns no country outside Italy.

Indeed the question is often asked whether Fascism is likely to remain permanent even in Italy. There is a popular belief abroad that the system is entirely bound up with the personality of Signor Mussolini, so that if his life were to come to an end it would mean the end of Fascism.

Until a few years ago there was undoubtedly a great deal of truth in this belief. Fascist Italy was the creation of Signor Mussolini, and was built entirely upon his strength and his statesmanlike qualities. Since then, however, the consolidation of the system has

made some progress. When the author asked, some time ago, one of the most intimate friends of Signor Mussolini to what extent stability in Italy was due to the system and to what extent to Signor Mussolini's personality, the answer was that, until a few years ago, it was due wholly to Signor Mussolini, but that now it is only due to him to an extent of about 90 per cent. In the course of time the dependence of the system upon Signor Mussolini will be further reduced by the deliberate endeavour of the Duce himself.

If Fascism were merely a political movement its continuation would be perhaps questionable. In reality it is much more than one of the many political movements brought forth by the upheaval of the world war. It is an economic system with a profound philosophical background. While its creation has been almost exclusively the achievement of Signor Mussolini, it is bound to survive him. Signor Mussolini will leave to Italy a legacy which will affect the course of her history for centuries.

Nor will this legacy remain the exclusive property of Italy. There are unmistakable signs that Fascism is spreading well beyond her borders. Portugal was the first country to have declared herself openly for the adoption of the Corporate system. It has been embodied in the new Portuguese Constitution, and confirmed by a plebiscite.

Senhor Alberto Salazar, who has been, and will remain, virtually the dictator of Portugal, has already proved his remarkable capacity for enforcing discipline in the economic system of his country. Without any external assistance, he has succeeded in balancing the budget and stabilising the escudo. Thanks to his intervention in the economic life of his country, Portugal

has suffered less from the crisis than most other countries. In the hands of such an able dictator, the Corporate system in Portugal will most probably work satisfactorily.

At the time of writing it is impossible, as yet, to ascertain how far Germany is likely to follow the lead given by Italy. For the present, National Socialism in Germany is merely manifesting itself in unpardonable excesses and short-sighted racial intolerance. It remains to be seen whether Herr Hitler and his associates will be able to divert the energy of their followers from destructive to constructive channels, and whether the present outburst of violence and persecution will be followed by a trend of evolution similar to the one witnessed in Italy. Were Germany to adopt the Corporate system she would stand an even better chance of making it succeed than Italy. Discipline is in accordance with the fundamental nature of the German people, and they have no lack of organising capacity. To a great extent industry is already rationalised. A number of leading banks and basic industrial undertakings are directly, or indirectly, controlled by the Government. All this simplifies the task of enforcing discipline upon economic life. Barring disturbing political influences, the evolution of the economic system of Fascism in Germany should take much less time than it took in Italy, especially as the Italian experiment has provided them with immense material which they can utilise to their benefit.

In Italy, Fascism has come to power by means of a revolution. This need not necessarily be the case in other countries. It is conceivable that in a number of countries the Corporate State will be established

in some modified form, in accordance with the particular requirements of the countries concerned, through a gradual and hardly perceptible economic evolution. It is difficult to believe that after the crisis there would be a reversion to a higher degree of *laissez-faire*. The conception that an increase of State intervention is an inevitable necessity is gaining ground rapidly in every country. In Great Britain it has its adherents in every political party, and it is conceivable that they may arrive at a Parliamentary majority. Without any spectacular change in the political régime, an economic system approaching Fascism may then be introduced, if not in form, at any rate in substance. Different nations require different systems, and it would be idle to expect Great Britain to discard her traditions in order to adopt a slovenly imitation of the Italian Corporate State. Yet much of the Italian system could be transplanted to this country without coming in conflict with the special characteristics of the British nation. For, unlike Communism, the Corporate system is elastic and adaptable to particular circumstances.

Fascism is likely to gain ground also in the civilised countries outside Europe. In Japan, where there exists a high degree of State intervention in economic life, the exceptional patriotism of the population would make it particularly easy to adopt the Fascist system. It is even conceivable that from the economic turmoil in the United States a system will emerge which economically will not be very far from Fascism. The firm hand with which President Roosevelt deals with "big business" seems to point in that direction.

On the other hand, it is conceivable that shortsighted politics may block in many countries the pro-

gress of evolution towards planning and towards the adoption of the Corporate State. It is possible that the majority of countries may attempt to carry on under the old system. Possibly they may succeed in emerging from the present crisis, but a disastrous relapse is only a question of time. In the course of the next decade or so it may become evident that, in the changed conditions, capitalism based on *laissez-faire* has broken down. A crisis, of a gravity against which our present crisis will fade into insignificance, would then create political conditions in which the position of the old régime would become untenable. Amidst the general discontent, it would be comparatively easy to bring about a revolutionary change. The question is which direction the change would take. Despair is often a bad adviser, and it is possible that, in some countries at least, Communism might succeed in supplanting Capitalism. Or, what is almost as bad, a movement embodying all the evil qualities of Fascism—aggressive nationalism, race hatred, despotic dictatorship, lawlessness—without any of its good qualities, might assume power, as we have witnessed recently in Germany. The only safeguard against such disaster is to allow the natural trend towards a planned economic system, substantially on Fascist lines, to take its course. The choice lies between the adoption of planning under the guidance of the right people in the right way, or having to submit to its adoption under the guidance of the wrong people and in the wrong way.

APPENDIX I

THE CHARTER OF LABOUR

Article 1

THE Italian nation is an organism possessing a purpose, a life, and instruments of action superior to those possessed by the individuals or groups of individuals who compose it. The nation is a moral, political, and economic unity integrally embodied in the Fascist State.

Article 2

Labour in all its manifestations, whether mental, technical, or manual, is a social duty. It is by virtue of this fact, and by virtue of this fact alone, that labour falls within the purview of the State. When considered from a national point of view, production in its manifold forms constitutes a unity, its many objectives coinciding and being generally definable as the well-being of those who produce, and the development of national power.

Article 3

Organisation whether by trades or by syndicates is unrestricted, but only the syndicate legally recognised by the State and subject to State control is empowered:

To legally represent the particular division of employers or employees for which it has been formed;

To protect the interests of these as against the State or as against other trade organisations;

To negotiate collective labour contracts binding upon all those engaged in the branch in question;

To levy assessments and to exercise, in connection with the branch, specified functions of public support.

Article 4

The collective labour contract gives concrete expression to the common interest of the various elements of production (capital and labour) by reconciling conflicting interests of employees and subordinating these to the higher interests of production at large.

Article 5

The Labour Court is the organ through which the State acts in settling labour controversies, whether these arise in connection with observances of rules or agreements already made or in connection with new conditions to be fixed for labour.

Article 6

The trade associations legally recognised guarantee equality before the law to employers and employees alike. They maintain discipline in labour and production and promote measures of efficiency in both. The Corporations constitute the unifying organisation of the elements of production (capital and labour) and represent the common interests of them all. By virtue of this joint representation, and since the interests of production are interests of the Nation, the Corporations are recognised by law as organs of the State.

Article 7

The Corporate State regards private initiative in the field of production as the most useful and efficient instrument for furthering the interests of the nation. Since private enterprise is a function of import to the nation, its management is responsible to the State for general policies of production. From the fact that the elements of production (labour and capital) are co-operators in a common enterprise, reciprocal rights and duties devolve upon them. The employee, whether labourer, clerk, or skilled workman, is an active partner in the economic enterprise, the management of which belongs to the employer who shoulders the responsibility for it.

Article 8

Trade associations of employers are under obligation to increase business, to improve quality of output, and to reduce costs in every possible way. The organisations representing practitioners of the liberal professions or of the arts, and the associations of State employees, work together for furthering the interests of science, letters, and the arts, for improving the quality of production, and for realising the moral ideals of the Corporate organisation of the State.

Article 9

The State intervenes in economic production only in cases where private initiative is lacking or insufficient, or where political interests of the State are involved. Such intervention may take the form of supervision, of promotion, or of direct management.

Article 10

In labour controversies involving groups, there can be no recourse to the Labour Court until the Corporation has exhausted its efforts for adjustment. In controversies involving individuals in connection with applications or interpretations of collective contracts, the trade associations are empowered to offer their mediation for settlements. Jurisdiction in such controversies belongs to the ordinary Labour Courts supplemented by the referees appointed by the trade associations concerned.

Article 11

The trade associations are required to regulate by collective contracts labour relations between the employers and the employees whom they represent. The collective contract is made between associations of primary grade, under the guidance and with the approval of the central organisations, with the provision that the association of higher grade may make amendments in cases specified in the constitutions of the associations or by law. All collective labour contracts must, under penalty

of nullity, contain specific statements of the rules governing discipline, of trial periods, of the amounts and manner of payment of wages, of schedules of working hours.

Article 12

The operation of the syndicates, the mediation of the Corporations and the decisions of the Labour Court guarantee correspondence between wages and the normal demands of living, the possibilities of production and the yield from labour. The fixing of wages is withdrawn from any general rule and entrusted to agreements between parties in the collective contracts.

Article 13

Losses occasioned by business crises and by variations of exchange must be equitably divided between the elements of production (capital and labour). Statistics relating to conditions of production and labour, to variations of exchange, to changes in standards of living, as issued by the various Governmental departments, by the Central Bureau of Statistics and by the legally recognised trade associations, and as co-ordinated and elaborated by the Ministry of Corporations, will constitute the criteria for adjusting the interests of the various branches of trade, and of harmonising the interests of the various classes, with those of other classes, *vis-à-vis* of each other, and of the higher interests of production in general.

Article 14

When wages are paid on the basis of piece-work and payments are made at intervals greater than two weeks, suitable weekly or bi-weekly accountings must be furnished. Night work not comprised in regular periodical shifts must be paid for by some percentage in addition to the regular daily wage. When wages are based on piece-work, piece payments must be so fixed that the faithful worker of average productive ability may have a chance to earn a minimum in excess of the basic wage.

Article 15

The employee is entitled to a weekly holiday falling on Sundays. Collective contracts will apply this principle so far as it is compatible with existing laws, and with the technical requirements of the enterprise concerned; and within the same limits, they will aim to respect civil and religious solemnities in accord with local traditions. Working hours must be scrupulously and earnestly observed by employees.

Article 16

After a year of uninterrupted service, the employee in enterprises that function the year round is entitled to an annual vacation with wages.

Article 17

In concerns functioning throughout the year, the employee is entitled, in case of discharge through no fault of his own, to a compensation proportioned to his years of service. Similar compensation is likewise due in case of death.

Article 18

Transfers of ownership of concerns offering steady work do not affect labour contracts, and the employees of such concerns retain all their rights and claims against the new proprietors. Likewise the illness of an employee, not in excess of a specified duration, does not cancel the labour contract. Call to service in the Army or Navy or in the Fascist Militia (the Volunteer Militia for National Safety) does not constitute valid cause for dismissal.

Article 19

Infractions of discipline on the part of employees and acts disturbing to the normal functioning of a concern, are punished, according to the seriousness of the offence, by fine, by suspension, or in grave cases, by immediate discharge without compensation. The cases in which the employer may impose the respective penalties of fine, suspension, or discharge without compensation, must be specified.

Article 20

The employee newly hired is subject to a trial period, during which there is a reciprocal right to cancel the labour contract, the employee in such case being entitled to wages only for the time of actual service.

Article 21

The collective labour contract extends its benefits and its discipline to home workers as well. Special regulations are to be promulgated by the State to assure proper hygienic conditions for home labour.

Article 22

The State has exclusive power to determine and control the factors governing employment and unemployment, since these are indices of the general conditions of production and labour.

Article 23

Employment bureaus are to be managed by the Corporations through commissions having equal representation of employers and employees. Employers are required to practise selection among workers with right of choice among the various registrants, giving preference, however, to such as are members of the Fascist Party and of the Fascist syndicates, and to priority of registration.

Article 24

The trade associations of workers are required to practise selection among workers with a view to constant improvement in the technical skill and the moral character of personnel.

Article 25

The Corporations must supervise the observance of the laws governing safety, accident prevention, and sanitation by the individuals subject to the central organisation of associations.

Article 26

Insurance is another manifestation of the principle of collaboration. Employers and employees must bear proportionate shares of such burdens. The State, working through the Corporations and the trade associations, will strive to co-ordinate and unify as far as is possible the agencies and the system of insurance.

Article 27

The Fascist State is working:

- (a) for improvements in accident insurance;
- (b) for improvements and extensions of maternity insurance;
- (c) for insurance against professional diseases and tuberculosis as a step toward general insurance against illness in general;
- (d) for improvements in insurance on involuntary unemployment;
- (e) for the adoption of special forms of endowment insurance for young workers.

Article 28

Protection of the interests of employees in legal and administrative problems arising in connection with accident and other forms of social insurance devolves upon the associations which represent them. Collective labour contracts will provide, where technically possible, for the establishment of mutual funds for insurance against illness, such funds to consist of contributions from employers and employees and to be administered by representatives of both classes under the general supervision of the Corporations.

Article 29

The trade associations have the right and the duty to provide relief for the workers they represent whether these be members or non-members. Such functions of relief must be exercised directly by committees of the associations themselves and must not be delegated to other institutions or Corporations save for

purposes of a general character which transcend the particular interests of the branch of production concerned.

Article 30

Training and education, especially technical training of the workers they represent, whether these be members or non-members, is one of the principal duties of the trade associations. The associations must lend their support to the national institutes which deal with recreation and free time, and to other enterprises of education.

APPENDIX II

THE ANTI-STRIKE LAW

The following is a translation of the text of the Law of April 3, 1926, No. 563:

CHAPTER I.—JURIDICAL RECOGNITION OF SYNDICATES AND COLLECTIVE LABOUR CONTRACTS

Article 1

Syndical associations of employers and employees, both intellectual and manual, may be legally recognised provided they satisfy the following requirements:

First: in the case of employers' associations, that the employers who have voluntarily enrolled shall employ at least one-tenth of the total number of workers hired by the enterprises of the class for which the association is constituted. This rule applies for each association within its district. In the case of employees' associations, that the employees who have voluntarily enrolled shall represent at least one-tenth of the total number of workers of the category for which the association is organised. This rule applies to each association within its district.

Second: that the associations shall include among their aims not only the protection of the economic and moral interests of their members, but shall also aim to promote the welfare and education (especially the moral and national education) of their members.

Third: that the directors of the associations shall give proof of their competence, good moral behaviour, and positive faith in the nation.

Article 2

Associations of independent artists, artisans, and professional men may be legally recognised when they satisfy the requirements set forth in the preceding article.

Orders, institutes, and associations of independent artists, artisans, and professional men which are at present in existence and legally recognised, will continue to be controlled by the laws and regulations now in force. However, such laws and regulations may be revised by means of a royal decree issued after consulting the opinion of the Council of Ministers in order to harmonise them with the provisions of the present law.

The constitutions of associations of artists and professional men recognised as public institutions prior to the publication of the present law may also be revised in order to harmonise them with the measures of this law.

Article 3

The membership of the associations mentioned in the preceding articles must include either employers or employees alone.

The associations of employers and employees may be combined through central employment agencies with a common higher organisation. However, the representation of employers and employees shall always remain distinct; and in the case of associations representing several categories of workers, each category must be separately represented.

Article 4

The recognition of association, referred to in the preceding articles, is granted by a royal decree, on the proposal of the competent minister, in agreement with the Minister of the Interior, and after consulting the opinion of the State Council. The decree granting the recognition shall also approve the constitution, which is published, at the expense of the associations, in the *Gazzetta Ufficiale* of the Kingdom.

The constitutions must give exact information concerning

the aims of the associations, the method of appointing the administrative officers, and the requirements for the admission of members. One of the requirements shall be good political conduct from the national point of view.

The constitutions may provide for the establishment of professional schools, institutes of financial assistance and of moral and national education, and institutes for the increase and improvement of production, national culture and art.

Article 5

Legally recognised associations possess juridical personality and before the law they represent all the employers, employees, artists, and professional men of the category for which they are organised, regardless of whether or not there are any members enrolled within the jurisdiction of the territorial division in which they operate.

Legally recognised associations have the power to impose on all the employers, employees, artists, and professional men whom they represent, whether or not they are enrolled members, an annual contribution not to exceed in the case of employers one day's compensation for each employee, and in the case of employees, artists, and professional men, the compensation of one working day. At least one-tenth of the income of these contributions must be deducted annually to constitute a fund with which to carry out the obligations assumed by the associations in the collective contracts which they have negotiated. This fund is to be administered in accordance with the provisions of the regulation.

Employers are under obligation to report the number of employees to their associations not later than March 31 of each year. Those who fail to report, or who file a false or incomplete report, are punishable by a fine not to exceed two thousand lire.

These contributions shall be collected in accordance with the regulations contained in the laws on the collection of municipal taxes. The contributions of employees are deducted from their wages or salaries and are turned over to the associations.

Only regularly enrolled members may participate in the

activities of the association and in the election or nomination of administrative officers.

Only legally recognised associations may designate representatives of employers or employees to the councils, organisations, or associations for which this representation is prescribed by the laws and regulations.

Article 6

Associations may be municipal, territorial, provincial, regional, inter-regional, or national.

The federations or unions of several associations and the confederations of several federations may be legally recognised in accordance with the conditions provided for by the present law. The recognition of these federations or confederations carries with it the right to recognise each association or affiliated federation. The federations or confederation of employers or employees, artists or professional men, referred to in the preceding paragraph, may be legally recognised, for the category or categories of employers or represented employers, within the limits of its jurisdiction.

Whenever a national confederation of all the categories of employers or employees of agriculture, industry, commerce, artists, or professional men is recognised, the recognition of federations or of associations not forming part of the confederation is prohibited.

In no case may associations be recognised which, without the authorisation of the Government, have entered into disciplinary relations or have become affiliated with an international association.

Article 7

Every association must have a president or a secretary who directs and represents it, and is responsible for its activities. The president or secretary is nominated or elected in accordance with the regulations contained in the constitution.

The appointment or the election of presidents or secretaries of national, inter-regional, and regional associations is not valid, unless it is approved by royal decree on the proposal of the

competent minister, in agreement with the Minister of the Interior. This approval may, at any time, be revoked.

The appointment or the election of presidents or secretaries of provincial, territorial, or municipal associations is not valid unless it is approved by a decree of the competent minister, in agreement with the Minister of the Interior. This approval may, at any time, be revoked.

The constitution shall determine the committee empowered to discipline and expel the undesirable members on account of their moral or political conduct.

Article 8

The presidents or secretaries are assisted by the Board of Directors, elected by the members of the association, in accordance with the regulations contained in the constitutions.

The municipal, territorial, and provincial associations are supervised by the prefect and protected by the Provincial Administrative Board. They exercise their respective powers in the manner and in accordance with the measures to be determined in the regulation. The regional, inter-regional, and national associations are supervised and protected by the competent minister.

The competent minister, in agreement with the Minister of the Interior, may dissolve the boards of directors of associations and concentrate all the powers in the president or secretary for a period not exceeding one year. He may also, in more serious cases, appoint a commissioner to look after the administration during the emergency.

In the case of associations affiliated with a federation or confederation, the decree recognising the federation or confederation and approving its constitution, may prescribe that the powers of supervision and protection be exercised in all or in part by the federation or confederation.

Article 9

Similarly, in very serious cases, and in every case in which the conditions prescribed in the preceding articles for securing

the recognition are not fulfilled, a royal decree to be issued on the proposal of the competent minister, in agreement with the Minister of the Interior, after hearing the opinion of the Council of State, may revoke the recognition.

Article 10

Collective labour contracts negotiated by legally recognised associations of employers, employees, artists and professional men apply to all the employers, employees, artists and professional men of the category, to whom the collective contract refers, and whom they represent in accordance with Article 5.

Collective labour contracts must be made in writing under penalty of voidance. They must also, under penalty of voidance, specify the period during which they are valid.

The central employment agencies provided for in Article 3 may establish, subject to prior agreement with representatives of employers and employees, general regulations on the conditions of labour in their enterprises. These regulations apply to all the employers and employees of the class to which the regulations refer, and whom the grouped associations represent in accordance with Article 5.

A copy of the collective labour contracts negotiated and the general regulations established in accordance with the provisions of the preceding paragraphs must be filed at the local prefecture and published in the official posters of the province, in the case of municipal, territorial, or provincial associations; and filed at the Ministry of National Economy and published in the *Gazzetta Ufficiale* of the Kingdom, in the case of regional, inter-regional, or national associations.

Employers and employees who do not observe the collective contracts and the general regulations to which they are subject are civilly responsible not only toward the association of employers but also toward the association of employees which has negotiated the contract.

The other regulations relative to the negotiation and application of collective labour contracts shall be issued by royal decree, on the proposal of the Minister of Justice.

Article 11

The regulations of the present law on the juridical recognition of syndical associations are not applicable to associations composed of state, provincial, or municipal employees and employees of other public welfare institutions which shall be dealt with by special measures.

However, similar associations of officers, non-commissioned officers, and soldiers of the Royal Army, Royal Navy, Royal Aeronautics, and of the other armed corps of the State, provinces, and municipalities, associations of magistrates of the judiciary and administrative order, associations of professors of secondary and higher institutions, associations of officers and employees of the ministries of the interior, foreign affairs, and colonies are prohibited, under penalty of removal from rank and dismissal, and of other disciplinary punishments to be established by special regulations according to each individual case.

Article 12

The associations of employers, employees, artists and professional men not legally recognised continue to exist as *de facto* associations, in accordance with existing legislation. This does not affect the provisions of the second paragraph of the preceding article.

In these cases the regulations of the Royal Decree-Law of January 24, 1924, No. 64, are applicable.

CHAPTER II.—THE LABOUR COURT

Article 13

All controversies concerning collective labour relations, whether these are in connection with the application of the collective contracts or other rules already made, or in connection with new conditions to be fixed for labour, fall within the jurisdiction of the Courts of Appeals, functioning as labour courts.

The president of the Court shall attempt to bring about conciliation before arriving at his own decision.

The controversies, in accordance with the preceding measures, may be submitted to arbiters, in accordance with Article 8 and the following of the Code of Civil Procedure.

No new measures are introduced concerning the jurisdiction of the colleges of arbiters and of the provincial arbitration commissions for private employment, in accordance with the law of June 15, 1893, No. 295, and of the Royal Decree Law of December 2, 1923, No. 2686, respectively.

Appeals against the decisions of the colleges of arbiters and the arbitration commissions and of other legal organs in matters of individual labour contracts, inasmuch as they are applicable in accordance with the existing laws, may be made to the Court of Appeals functioning as Labour Court.

Article 14

A special section is organised at each of the sixteen courts of appeals for the work of the Labour Court. Each section is composed of three magistrates, viz. a sectional president and two counsellors of the Court of Appeals. Two citizens expert in problems of production and labour and selected by the first president in accordance with the regulations of the following article may be added to this body from time to time.

The personnel lists of the Court and of the judiciary chanceries shall be revised by royal decree to be issued on the proposal of the Minister of Justice in agreement with the Minister of Finance in order to carry out the present measure.

Article 15

Each Court of Appeals shall have a list of citizens expert in problems of production and labour, classified into groups and sub-groups, in accordance with the various kinds of enterprises existing within the jurisdiction of the Court. The list may be revised biennially.

A royal decree issued on the proposal of the Minister of Justice, in agreement with the Minister of National Economy,

shall establish the regulations for the preparation and revision of the lists and shall fix the daily compensation and other indemnities for persons who are called upon to exercise judiciary functions.

Each year the first president designates, for each group and sub-group, the persons who shall be called upon to act as expert counsellors in cases affecting the enterprises included in the group or sub-group. Those who are directly or indirectly interested in the controversy cannot be included in this body.

Article 16

The Court of Appeals functioning as a labour court shall judge, in cases involving the application of existing contracts, according to the regulations of the law on the interpretation and enforcement of contracts, and in cases involving new conditions to be fixed for labour it shall judge in accordance with equity, harmonising the interests of the employers with those of employees, and in every case protecting the higher interests of production.

The formulation of new conditions to be fixed for labour shall always specify the period of time during which they must be in force, which regularly shall be the same as that fixed in the liberally negotiated contracts.

The decisions of the Court functioning as a labour court are issued after hearing the verbal opinion of the public ministry.

The decisions of the Court of Appeal functioning as a labour court may, for the reasons outlined in Article 517 of the Code of Civil Procedure, be appealed for voidance.

A regulation to be issued by royal decree on the proposal of the Minister of Justice shall establish the special measures for the study and execution of the procedure, if necessary derogating the ordinary regulations of the Code of Civil Procedure.

Article 17

The legal action for controversies connected with collective labour relations may be taken solely by the legally recognised associations and is applicable to the legally recognised associa-

tions where they exist; otherwise such action shall be argued by a special administrator, appointed by the president of the Court of Appeals. In the latter case, the voluntary interpleading of the interested parties in the proceedings shall be permitted.

When the associations of employers and employees form parts of federations or confederations, or when central employment agencies have been organised between associations of employers and employees, no legal action may be taken unless it is shown that the federation or confederation, that is, the central employment agency, has tried to bring about an amicable solution of the controversy and that its efforts have been unsuccessful.

Only the legally recognised associations may represent in Court all the employers and employees of the category, for which they are organised, within the territorial jurisdiction assigned to them.

The decisions issued in their behalf apply to all the interested parties and are published, in the case of the communal, territorial, and provincial associations, in the official legal posters of the province, and in the case of regional, inter-regional, or national associations in the *Gazzetta Ufficiale* of the Kingdom.

All the memoranda and documents relating to the proceedings of the Court of Appeals functioning as a labour court and all the measures issued by it are exempt from registration fees and stamp taxes.

CHAPTER III.—LOCK-OUTS AND STRIKES ARE PROHIBITED

Article 18

Employees who close their factories, enterprises, and offices without justifiable reasons and for the sole object of compelling their employees to modify existing labour contracts, are punishable by a fine of from ten thousand to one hundred thousand lire.

Employees and labourers who, in groups of three or more, cease work by agreement, or who work in such a manner as to

disturb its continuity or regularity, in order to compel the employers to change the existing contracts, are punishable by a fine of from one hundred to a thousand lire. In the proceedings the regulations of Articles 298 and following of the Code of Penal Procedure shall be applicable.

The chiefs, promoters, and organisers of the crimes mentioned in the preceding paragraphs are punishable by imprisonment for not less than one year, nor more than two years, in addition to the fines prescribed in the same paragraphs.

Article 19

Employees of the State and of other public organisations and employees of other public service and public utility enterprises who, in groups of three or more, cease work by agreement or perform it in a manner to disturb its continuity or regularity, are punishable by solitary confinement from one to six months, and shall be barred from public offices for six months.

The regulations of Articles 298 and following of the Code of Penal Procedure are applicable in the proceedings.

The chiefs, promoters, and organisers are punishable by solitary confinement of from six months to two years and shall be barred from public offices for not less than three years.

The administrators of public services or of public utility enterprises who without justifiable reason suspend work in their establishments, enterprises, or offices, are punishable by solitary confinement of from six months to a year and by a fine of from five thousand to ten thousand lire, in addition to being barred temporarily from public offices.

In accordance with the provision of the present article, when the safety of the public is endangered, the guilty persons shall suffer solitary confinement for not less than three years.

Article 20

Employees of the State and of publicly recognised organisations, administrators, and employees of public service or public utility enterprises who, in case of a strike or lock-out, fail to do all within their power to continue or restore the regular work

of a public service or public utility enterprise, are punishable by imprisonment of from one to six months.

Article 21

When employers interrupt labour or when employees cease work entirely or continue to work at irregular periods in order to coerce or influence the decisions of a corps or college of the State, provinces, municipalities, or even of a public official, the chiefs, promoters, and organisers are punishable by solitary confinement of from three to seven years, and by being permanently debarred from public offices, and the authors of the crime are punishable by solitary confinement of from one to three years and by being temporarily barred from public offices.

Article 22

Employers and employees who refuse to carry out the decisions of a labour magistrate are punishable by imprisonment of from one month to one year and by a fine of from one hundred to five hundred lire. This does not affect the application of the regulations of common law on civil responsibility for carrying out and executing the sentences.

The directors of legally recognised associations who refuse to carry out the decisions of the labour magistrate are punishable by imprisonment of from six months to two years and by a fine of from two thousand to ten thousand lire, in addition to dismissal from office.

If, in addition to the failure of carrying out the decisions of a labour magistrate, the offender is also guilty of causing a lock-out or strike, the measures of the Penal Code on the relation between guilt and punishment are applicable.

Article 23

All regulations contrary to the present law are repealed.

The following is Part V. of the Royal Decree of July 1, 1926, regulating the application of the Anti-Strike Law:

CHAPTER I.—ORGANISATION OF THE LABOUR COURT

Article 61

Each Provincial Council of Economy shall propose the names of citizens who are to act as expert counsellors in the Labour Court. The citizens whose names are so proposed are divided into groups and sub-groups according to the different kinds of enterprises existing within the jurisdiction of the Court.

The lists of names of these citizens are transmitted to the competent central corporative agencies, which, after securing the necessary information, may make whatever changes or additions they deem advisable.

If there are no corporative agencies, the lists proposed by the provincial councils of economy are transmitted directly to the Court of Appeals.

Article 62

The first president of the Court of Appeals on receipt of these lists selects the names of the citizens who are to act as expert counsellors, after hearing the opinion of the president of the Labour Court.

The final list is posted at the seat of the Court of Appeals and at the prefectures of all the provinces included in the district. Each legally recognised association may, within fifteen days from the posting of the list, file an appeal to be excluded from the list.

The appeal is sent to all those who are interested in the matter, and is decided on by the Court of Appeals in united sections.

For this purpose, the united sections consist of the first president, of the president of the special section acting as the Labour Court, and of five counsellors of the Court, of whom two are attached to the Labour Court, and three to the first section, designated by the first president.

The united sections decide in Council Chamber, after hearing the written arguments of the interested persons.

It is possible to appeal against the decision on the ground of violation of law, within fifteen days, to the Court of Cassation.

Article 63

The regulations of the two preceding articles are also applicable to the biennial revision of these lists.

Article 64

No person may be included in the list who is not an Italian citizen who has not completed twenty-five years of age, who is not of an honest and sterling moral and political conduct, and who does not possess a university degree or its equivalent.

Exception may be made with regards to the educational requirements, in the case of those who have acquired exceptional skill in the practice of an art or profession.

In such cases a person may be included in the list by order of the first president, who shall state the reasons for his decision.

Employees of the State and of other public organisations may also be included in the list.

Article 65

A person who is called upon to exercise judiciary functions as expert counsellor of the Labour Court is entitled to a fee of one hundred lire for each day of service; in addition, he is entitled to travelling and maintenance expenses fixed for the counsellors of the Court of Appeals.

Article 66

The list of expert counsellors attached to the Labour Court is compiled yearly by the First President, after hearing the opinion of the President of the Court, from among the citizens whose names are contained in the list prepared in accordance with the preceding articles.

Expert counsellors of the Labour Court are appointed by the president of the Labour Court.

The president of the Labour Court may always request the first president to appoint among the members of the judiciary body one or more experts not included in the list of those attached to the section. The selection is made by the first president from among the names contained in the general list.

In exceptional cases and with the consent of the parties, the first president may even select persons not included in the list.

Article 67

The regulations of the Code of Civil Procedure may be applied when magistrates refuse to serve in the special labour court of the Court of Appeals.

Questions relating thereto are disposed of by the Court of Appeals.

Regulations of the Code of Civil Procedure are also applicable when expert advisers refuse to serve. Appeals relating thereto are disposed of by the college of magistrates.

Expert advisers may refuse to serve for reasons other than those permitted by law; appeals relating thereto are disposed of by the college composed in accordance with the preceding paragraph.

CHAPTER II.—ACTION AND JURISDICTION

Article 68

Legally recognised associations of first and higher grades have the power to act in controversies concerning collective labour relations.

The public ministry also has the right to act in such cases when the interest of the public demands it. In such cases the syndical association interested may interplead in the proceedings.

A higher grade syndical association having an interest in the matter may interplead in the proceedings instituted by the lower grade association, and *vice versa*.

Article 69

Associations are represented in the legal proceedings by the president or secretary, who shall represent them in accordance with Article 7 of the Law of April 3, 1926, or by a special attorney.

Article 70

The special administrator referred to in Article 17 of the Law of April 3, 1926, is selected, whenever possible, from among the interested employers or employees who possess the requirements prescribed in Article 1 of the Law.

The appointed administrator cannot reject the position, under penalty of damages for losses.

The number of interested persons interpleading in accordance with Article 17 may not exceed three. However, more than that number of interested persons may interplead through a special attorney.

Article 71

The legal action in controversies arising from the application of collective contracts and of other existing regulations is valid against the legally recognised association representing both the employers and employees who are subject to them and held responsible for their execution. The legal action in controversies arising from the formulation of new labour conditions is valid against the legally recognised association representing both the employers and employees for whom the new labour conditions are established.

Legal action requesting the formulation of new labour conditions may be taken even when a collective contract has been negotiated, and even before the expiration of the period established for its duration, provided significant changes have taken place since the contract was negotiated.

Article 72

The legal action referred to above may be taken before the Court of Appeals having jurisdiction of the controversy; if the

controversy falls within the jurisdiction of two or more courts of appeals, the request is made before the Court of Appeals.

CHAPTER III.—THE PROCEEDINGS

Article 73

The parties may appear personally in the proceedings; they may also be represented by a legal attorney and be assisted by not more than one lawyer and by one or more technical advisers; whenever their number appears excessive for the requirements of the case, the magistrate shall order the number to be reduced.

At any time during the proceedings the magistrate may order the personal appearance of the parties. This applies to all cases.

Article 74

Legal action in collective labour controversies is requested by means of an appeal signed by the parties or by the attorney. The appeal must include:

- (a) the name of the plaintiff, the person acting in his behalf, and the attorney representing the association;
- (b) the name of the defendant or of the group of employers or employees;
- (c) the reasons for and the object of the action;
- (d) the list of the briefs and documents on which the action is based.

The appeal when presented by the public ministry must contain the name of the associations or of the groups of employers and employees interested, the reasons for and the object of the controversy, the decisions of the ministry, and the list of the briefs and documents.

Article 75

The appeal shall be filed at the chancery of the Court of Appeals, together with the briefs and documents on which it is

based. The chancellor, after affixing the date of receipt, shall transmit it immediately to the president of the Labour Court.

Article 76

The president of the Court, within twenty-four hours of its receipt, shall fix by means of an order written at the foot of the appeal, the date of the hearing at which the parties must appear before the magistrate, and the period within which the defendant must transmit his reply to the plaintiff, and shall file it in the chancery together with the briefs and documents, and wherever necessary, the notice of the appointment of the special attorney provided for in Article 17 of the Law of April 3, 1926.

A copy of the appeal and of the order shall be immediately transmitted *ex officio* by means of registered mail with return receipt to the interested parties, and eventually to the special attorney appointed in accordance with Article 17 of the Law, and shall be communicated to the public ministry.

An extract of the appeal and of the ordinance shall also be published free of charge by the chancery in the journal of judicial announcements of the province, or in the *Gazzetta Ufficiale* of the Kingdom.

Article 77

Notification of the interested parties may be dispensed with when both request the decision of the controversy.

The request may be made by means of an appeal signed by all the interested parties with the information indicated in Article 74.

The request may also be made verbally. In such cases the chancellor shall write the minutes containing all the above information, and the presidential ordinance shall be written at the foot of the minutes.

Article 78

In cases in which it is permitted, the interplea must be proposed at least three days prior to that fixed for the appearance of the parties.

The interplea shall be proposed by means of an appeal which must give the full name and address of the interpleading parties, the briefs of the parties in the proceedings, an explanation of the reasons justifying the right to interplea, and the demands of the interpleading parties. The appeal is filed together with the briefs and documents on which it is based at the chancery of the Court of Appeals. It shall be communicated and published in accordance with Article 76, and notification shall be served on the public ministry.

Article 79

On the day fixed for the hearing, the parties shall appear before the president, through the intervention of the public ministry.

At the hearing the defendant must above all:

- (a) declare if he adheres to the demands of the plaintiff, or if he requests their rejection;
- (b) state his opinion concerning the jurisdiction of the magistrate, the legal rights of the plaintiff, the hearing of the action, and on all other questions pertaining to the preparation of the trial.

The plaintiff must in turn:

- (a) declare if he insists on his demands or withdraws them;
- (b) state his opinion concerning the legal rights of the defendant and on all other questions pertaining to the preparation of the trial.

The interpleading party or parties, if any, shall declare whether they insist on the demands presented, and shall state their opinion on the points indicated under letter (b) of the preceding paragraphs.

If the points indicated under letter (b) are not mentioned at the first hearing, the party loses his right to mention them at a later hearing, providing they are not points which the judge can raise *ex officio*.

Article 80

If the parties continue to disagree, the president must above all try to bring about a just settlement of the controversy. He

must make similar attempts during the proceedings whenever the opportunity presents itself.

If the settlement is successful, it shall be recorded in the minutes, which shall take the place of a collective contract.

If the settlement is not successful, the president shall bring the parties before the college for a hearing to be held within ten days. He shall also appoint the expert counsellors and designate the relator.

The parties are given three days' time to file their own arguments in writing. They shall be communicated to the other parties and to the public ministry.

In their arguments the parties may limit but cannot expand, nor in any way change the demands made in the preliminary appeal, in the reply, and in the interplea.

The periods established in this Article cannot in any way be altered.

Article 81

At the hearing the college, after hearing the relator, the parties, and the public ministry:

- (a) shall decide, above all, if the opinions provided for in Article 79, letter (b), have been expressed;
- (b) shall order, if necessary even *ex officio*, the means which it may deem necessary for studying the case, including the presentation of the documents which the parties were unable to exhibit at a previous hearing. It shall also determine the means and terms for carrying out the measures, and shall appoint, when the nature and complexity of the investigations require it, one or more technical consultants to assist it in the study of the case;
- (c) shall decide the case according to its merit, if the means for studying the case are not ordered.

The minutes and decision for each of the points mentioned in letters (a), (b), (c) are given separately. The college may order the minutes and decision to be issued jointly for all or some of these points.

All decisions shall be taken immediately in Council Chamber and the settlement shall be read at a public hearing.

Whenever the first hearing is not sufficient for arriving at a decision, one or more additional hearings may be set for the near future.

Other delays shall not be allowed.

Article 82

The examination of witnesses may be made both by the college and by one or more of the members especially delegated for this purpose.

The public ministry shall always assist them.

Article 83

Unless the parties reach an agreement, proof of the economic condition of the business and of the costs of production can be made only by means of briefs and other documents exhibited or published by the parties, the cross-examination of the parties, the recourse to legal action, and the testimony of expert citizens not connected with the business.

Article 84

After finishing the study of the case, the college or the delegated judge shall postpone the decision of the case at a hearing to be held within ten days.

If the order is limited to the presentation of documents, the date of the hearing shall be fixed in this ordinance.

The parties shall be granted a period of five days from the completion of the study to file their own written arguments and to communicate them to other parties: these arguments must also be communicated to the public minister.

The time fixed in this article cannot be prorogued.

The college shall decide the case at this session, after hearing the parties and the public ministry.

At this hearing and for this decision the regulations of the last three paragraphs of Article 81 shall be applicable.

Article 85

A magistrate in deciding a controversy entirely or in part

shall issue a sentence. He shall also issue a sentence even when he declares the court to be incompetent to decide the controversy.

He shall issue an ordinance when he decides on the proceedings.

Ordinances are revocable and may be modified.

Ordinances need no explanation. The sentence is succinctly explained, but always in accordance with the provisions of Article 83.

The original copy of the sentence, signed by the judges and by the chancellor must be filed in the chancery not later than fifteen days after it has been issued.

The chancery communicates the sentence *ex officio* by sending a copy by insured mail with return receipt to all the parties. The sentence is also communicated to the public ministry.

Article 86

When neither the plaintiff nor the defendant appears at any of the hearings, the case shall be cancelled from the roll, unless the public ministry requests the prosecution of both parties by default.

If only one of the parties appears, the case shall be heard by default of the other.

When a party who has failed to appear reports at a later part of the hearing, he may state his reasons and conclusions, but this does not affect the sentences and ordinances already pronounced in the proceedings.

SENTENCES AND PROTESTS

Article 87

The sentences pronounced by a judge in subjects connected with collective labour relations shall establish new labour conditions and shall have the force of collective contracts. They shall be published in accordance with the first paragraph of

Article 51, and the measures provided for in Articles 52, 53, 54, 55, 59 of the present decree are applicable.

Should a labour magistrate issue a sentence on collective labour relations after a sentence in an individual labour controversy has been definitely accepted, and should the former be incompatible with the latter, each of the parties and the public ministry may request the Labour Court to annul it.

Any sentence imposed by a judicial agency in subjects connected with individual labour relations in violation of collective labour contract, or any sentence that is incompatible with a definitely accepted sentence of the Labour Court, may, within fifteen days of notification, be appealed by each of the parties and by the public ministry to the Labour Court for annulment.

In such cases the Labour Court shall decide on the merits of the controversy.

Article 88

The sentences of the Labour Court are subject to annulment, revision, and cassation.

They may be revoked in accordance with the Code of Civil Procedure, but the request for revocation must be made within fifteen days.

Article 89

When a significant change of the conditions has taken place, the interested party and the public ministry may request the magistrate who pronounced the sentence to revise it even before the time limit has expired.

In case this request is rejected, the party proposing it shall be punished by a fine not exceeding ten thousand lire.

Article 90

A sentence of the Labour Court may be appealed to the Court of Cassation of the Kingdom within fifteen days from its notification. The public ministry may also file an appeal within fifteen days from its communication. Sentences pronounced before the hearing of the case are impugnable, as are also those pronounced at the hearing.

The general attorney of the Court of Cassation has the right

to intervene in the interest of the law against the sentences of the Labour Court, in accordance with Article 519 of the Code of Civil Procedure.

The representatives of the public ministry are subordinate to the Minister of Justice as established by the existing laws on judicial organisation. This system remains unchanged. The Minister of Justice can, by decree, authorise the general attorney of the Court of Cassation to take charge of and co-ordinate the action of the public ministry at the Courts of Appeals in matters relating to collective labour controversies, and to report to him his observations and the suggestions he deems opportune.

Article 91

When a sentence has been annulled, the labour court to which the case is sent must in each case conform with the decision of the Court of Cassation on points of law.

APPENDIX III

THE NEW CORPORATIONS LAW

The following is the text of the New Law on Corporations, passed in January 1934 :

Article 1

THE Corporations, foreshadowed by Declaration VI of the Labour Charter, by the Law of 3 April 1926, No. 563, and by the Royal Decree of 1 July 1926, No. 1130, are established by Decree of the Head of the Government, on the motion of the Minister of Corporations and after hearing the Central Corporative Committee.

Article 2

The Presidency of the Corporations is entrusted to a Minister, or to an Under-Secretary of State or to the Secretary of the National Fascist Party, nominated in a Decree of the Head of the Government.

Article 3

The Decree constituting a Corporation, determines the number of members who should form its Council and how many of these should be nominated by each of the grouped Associations.

The nominations require approval through a Decree of the Head of the Government on the recommendation of the Minister of the Corporations.

Article 4

Within the Corporations, in which categories of different branches of economic activity are represented, there may be

set up special sections, the decisions of which require the approval of the Corporation.

Article 5

As regards questions relating to different branches of economic activity, the Head of the Government is empowered to arrange for the simultaneous meeting of two or more Corporations.

The Corporations thus grouped have, as regards these particular questions, powers similar to those assigned to the individual Corporations by the articles which follow.

Article 6

By his own Decree, on the recommendation of the Minister of Corporations and after hearing the Central Corporative Committee, the Head of the Government is empowered to set up Corporative Committees for exercising control over economic activities relating to certain products, and in these Committees representatives of the economic groups and of the State Departments concerned and also representatives of the National Fascist Party shall be invited to participate.

The decisions of the Corporative Committees shall be submitted to the competent Corporations and to the General Assembly of the National Council of the Corporations for approval.

Article 7

The Associations grouped by a Corporation become independent in the syndical field, though continuing their membership in the respective Confederations in accordance with regulations, to be hereinafter published by the Minister of Corporations.

Article 8

In addition to the attributions and powers already prescribed by the law of 3 April 1926, No. 563, and by the Royal Decree of 1 July 1926, No. 1130, the Corporation will determine the rules in regard to the collective regulation of economic relations and to the unitary control of production.

The Corporation will exercise this special function following on a recommendation by the competent Ministers or at the request of one of the grouped Associations, with the consent of the Head of the Government.

Article 9

The agreements arranged, in the sense of Article 12 of the law of 20 March 1930, No. 206, by Syndical Associations grouped by a Corporation must, before approval by the National Council of the Corporations, be submitted to the said Corporation for an expression of its views.

Article 10

The Corporation, within the branch of its special competence and in the forms referred to in the second paragraph of Article 8, has power to lay down rates of remuneration for all forms of work performed and for economic services rendered, and also the rates of prices for privileged articles of consumption sold to the public.

Article 11

The rules, agreements and tariffs, referred to in the preceding articles, are subject to the approval of the General Assembly of the National Council of the Corporations and enter into force as soon as published by a Decree of the Head of the Government, to be included in the official collection of the laws and decrees of the Kingdom.

As regards sanctions, in cases of failure of individuals to observe the said rules, agreements and tariffs, the legal provisions referring to collective labour contracts will be followed.

Article 12

The Corporation expresses its opinion on all questions which in any way affect the branch of economic activity for which it has been constituted, whenever so requested by the competent public services.

The Head of the Government has the power, by his own Decree, to lay down that for certain subjects the public services

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